CPElite In a Class By Yourself.™

THE ELITE QUARTERLY – Taxation

Published by **CPElite**
The Leader in Continuing Professional Education Newsletters

Volume XXVIIII • Number 4 • Winter 2019 Issue • 4 Hours of CPE Credit • CPE for Enrolled Agents • CPA's • Licensed Accountants
(P) 877-580-7169 • (F) 877-796-0471 • email support@cpelite.com
www.cpelite.com

Thank you once again for your ongoing support of *The Elite Quarterly*. Please refer to pages 22 and 23 for course details and subscription packages for 2020. Thank you for being a customer – we appreciate your business. We would like to wish you and your family a very Happy Holiday from all of us at CPElite!

What's Inside This Issue

Instructions, Content Level, & Learning Objectives

Please read the content on pages 1-17, the exam questions on pages 18-20, and the exam instructions on page 21. Select the best answer for each exam question and record the answers either on the answer sheet on page 21 or online at www.cpelite.com.

The content level for this course material is "Update" and field of study classification is "Taxation". A general understanding of federal income taxation is the prerequisite for this course. No advance preparation is required. The ***Learning Objectives*** for this course are:

1. Recall details associated with the IRS Private Debt Collection Program.
2. Identify trends in the Gross Income Tax Gap
3. Recall details included in Notice 2019-47
4. Identify safe harbor provisions included in Rev. Proc 2019-38
5. Recall key deduction limits for tax year 2019.
6. Recall changes reflected in draft Form 1040 resulting from virtual currencies.

Key Terms in This Issue of *THE ELITE QUARTERLY*

[Item 2] Phishing - a form of social engineering in which a bad actor uses various technological channels, typically an email, to solicit personal information from a targeted individual or company by posing as a credible source.
[Item 2] "Least Privilege" – a concept in which access to sensitive information should be restricted based upon whether certain users require that information or knowledge to execute their intended job functions.
[Item 3] Tax Gap - the difference between true tax liability for a given period and the amount of tax that is paid on time.
[Item 4] Relevant passthrough entity - a partnership (other than a PTP) or an S corporation that is owned, directly or indirectly, by at least one individual, estate, or trust.
[Item 8] Gig economy - a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements.
[Item 10] Virtual Currency - a digital representation of value that functions as a medium of exchange, a unit of account, and a store of value other than a representation of the United States dollar or a foreign currency.
[Item 11] Decennial - recurring every ten years

[ITEM 1] IR-2019-165, Private Debt Collection

Internal Revenue Service officials announced on October 8th, that a new payment option has been added to the private debt collection program to make it easier for those who owe to pay their tax debts. Taxpayers now can choose the option of a preauthorized direct debit to make one payment or a series of payments toward their federal tax debt. With direct debit, the taxpayer will give their written permission to the private collection agency (PCA) to authorize a payment on the taxpayer's behalf to the U.S. Department of the Treasury. This enables the taxpayer to conveniently and securely schedule multiple payments with the ease of a single phone call with their assigned PCA.

If taxpayers choose the preauthorized direct debit option, they'll complete and sign a written authorization which can be submitted to the PCA by mail or fax. The authorization contains the payment schedule and bank account information. Once the PCA receives the taxpayer's signed authorization, it will send a confirmation letter containing the details of the preauthorized direct debit. The PCA will create a check according to the payment schedule made out to the U.S. Department of the Treasury. The check is securely mailed to the IRS within 24 hours.

The new direct debit supplements existing IRS-sponsored payment options and can be changed or canceled up to one business day prior to the scheduled payment. One thing to note is that taxpayers can still opt to use the electronic payment options available on IRS.gov/Paying Your Taxes. Payments made by check should be payable to the U.S. Treasury and sent directly to the IRS, not the PCA.

The private debt collection program, enacted by Congress, requires the IRS to contract PCAs to collect certain outstanding tax debts. In June 2019, the IRS began assigning a small number of business accounts to PCAs. These cases meet the requirements under federal law for inclusion in the private debt collection program. From the start of the program in April 2017 through June 13, 2019, the IRS has given four PCAs more than 1.9 million total cases that represent more than $16.2 billion of the IRS's balance-due inventory. To date, the PCAs have worked with more than 163,000 taxpayers who either paid their balances in full or set up a payment arrangement.

Be aware of scammers

When representatives from one of the four PCAs contacts a taxpayer, they will state that they are from one of these collection agencies: CBE, Performant, Pioneer or ConServe. These agencies are required to respect the Taxpayer Bill of Rights and abide by the consumer protection provisions of the Fair Debt Collection Practices Act. Whether a taxpayer selects the preauthorized direct payment option or mails a check, the IRS reminds taxpayers to be on the lookout for scam telephone calls from anyone claiming to be collecting on behalf of the IRS.

Even with private debt collection, taxpayers will not get unexpected phone calls demanding payment. Before a taxpayer is contacted, the taxpayer will receive two letters; one from the IRS and one from the PCA. Both letters will include a Taxpayer Authentication Number (TAN). The TAN will be used to authenticate the PCA and to verify the identity of the taxpayer, instead of using their social security number. Taxpayers are advised to safeguard their TAN as they would a social security number.

The IRS states that they have made a commitment to help taxpayers avoid confusion and understand their rights and tax responsibilities, particularly in light of continual phone scams where callers impersonate IRS agents and request immediate payment. Examples of steps undertaken by the IRS in this regard include:

- Private collection agencies will not ask for payment on a prepaid debit, iTunes or gift card.
- Taxpayers will be informed about electronic payment options for taxpayers on IRS.gov/Pay Your Tax Bill.
- Payment by check is to made payable to the U.S. Treasury and sent directly to IRS, not the private collection agency.

Accounts Not Assigned To Private Collection Agencies

The IRS will not assign accounts to private collection agencies involving taxpayers who are:

- Deceased
- Under the age of 18
- In designated combat zones
- Victims of tax-related identity theft
- Currently under examination, litigation, criminal investigation or levy
- Subject to pending or active offers in compromise
- Subject to an installment agreement
- Subject to a right of appeal
- Classified as innocent spouse cases
- In presidentially declared disaster areas and requesting relief from collection

Private collection agencies will return accounts to the IRS if taxpayers and their accounts fall into any of these 10 situations after assignment to the private collection agencies. The IRS is keenly aware of risks associated with fraudulent individuals looking to prey on unsuspecting taxpayers. The following examples serve as an ongoing reminder that we must remain vigilant on these matters.

Florida Tax Preparer Pleads Guilty in Scheme Involving Wire Fraud

On August 16, 2019, in the Southern District of Florida, Fort Lauderdale tax preparer Deborah Thomas pled guilty to three counts of wire fraud in connection with a scheme to misappropriate her clients' monies, which had been intended to satisfy taxes owed to the Internal Revenue Service (IRS). Thomas was previously indicted for the offenses in May 2019.

According to the indictment, from April 2015 through May 2018, Thomas worked as a tax preparer at a public accounting firm. In an effort to unjustly enrich herself, she registered Global Business Concepts, LLC (operating as U.S. Treasures). She subsequently opened a bank account in the name of that business, where she then deposited fraudulently-obtained checks.

Thomas instructed some of her clients who owed money to the IRS to write checks payable to "U.S. Treasury." She then had the checks stamped or altered, making it difficult to see the last letters of the payee. Thomas instructed other clients, whose primary language was not English, to make checks payable to "U.S. Treasures" or "U.S. Treasure." Thomas did not give those client checks to the IRS, but instead deposited them into her U.S. Treasures account through automated teller machines in Fort Lauderdale, Florida. Images of the deposited checks were then transmitted via wire communication to servers located in Richardson, Texas, allowing them to be credited to Thomas' own business bank account. The fraudulent proceeds obtained by Thomas totaled more than $654,779.

Thomas could face a maximum statutory sentence of 20 years imprisonment and a $250,000 fine.

Two Individuals Indicted in Connection with Impersonation Scheme

On August 13, 2019, in the Eastern District of Wisconsin, Hardik Patel and Mahmadyasin Shekh were indicted on charges of mail fraud, when they, and others known and unknown to the grand jury, knowingly participated in a scheme with the intent to defraud and obtain money by means of materially false representations.

According to the indictment, other members of the scheme called victims and misrepresented that they worked for various Federal agencies, including the Internal Revenue Service, the Federal Bureau of Investigation, and the Social Security Administration. The caller told the victim that if he or she did not send money as directed by the caller, he or she would be immediately arrested. The caller then instructed the victim to send cash to a specific location and to a specific, fictitious name. The cash was sent via Federal Express packages from various locations nationwide to various locations within the Eastern District of Wisconsin. Patel, Shekh, and other participants in the scheme possessed fraudulent identification documents bearing the fictitious names of the recipients of the cash and a photo of themselves, which they used to pick up the packages. They then kept a percentage of the fraud proceeds and sent the rest to other members of the scheme. As a result of the scheme, Patel, Shekh, and other participants in the scheme fraudulently obtained at least $219,983 from approximately 12 victims.

If convicted, Patel and Shekh will be ordered to forfeit to the United States any property which constitutes, or is derived from, proceeds traceable to the offense or offenses of conviction. Patel and Shekh could face a maximum statutory sentence of 20 years imprisonment.

Coconspirators Indicted in Connection with Scheme Involving Stolen Federal Tax Refund Checks

On August 26, 2019, in the Southern District of New York, Marlene Tineo, Alejandro Paulino, and Raysette Mercedes were indicted for conspiracy, bank fraud, and aggravated identity theft in connection with a scheme involving the theft of U.S. Treasury checks, to include tax refund checks.

According to court documents, between December 2017 and February 2019, Tineo, Paulino, Mercedes, and others known and unknown, willfully and knowingly conspired to execute a scheme to defraud financial institutions, the deposits of which were insured by the Federal Deposit Insurance Corporation.

The scheme to defraud was identified when a financial institution identified a pattern of suspicious activity in multiple accounts. Specifically, U.S. Treasury checks, including tax refund and Social Security checks were stolen before reaching their intended recipient. The defendants then opened fraudulent accounts at the bank in the names of the intended recipients of the stolen checks. The fraudulent accounts were opened with apparently fraudulent Dominican Republic identification documents, such as passports, consular cards, and drivers' licenses, and using forged signatures. The defendants forged the signatures to endorse the stolen checks and deposited these checks into the fraudulent accounts. They then made cash withdrawals to access the stolen funds. Tineo, Paulino, and Mercedes are believed to have accessed bank accounts that held a total of approximately $822,000 in U.S. Treasury checks.

If convicted, Tineo, Paulino, and Mercedes shall be ordered to forfeit to the United States any and all property derived from proceeds obtained as a result of the commission of said offenses. The defendants could each face a maximum statutory sentence of 30 years imprisonment for bank fraud, plus a mandatory consecutive sentence of two years imprisonment for aggravated identity theft.

[ITEM 2] Security & Fraud Update

While we are on the subject of fraud, we think it would be a good time to discuss some ways in which practitioners can help to reduce security breaches. Contrary to popular belief, security risks do not exclusively arise from external, malicious sources. Internal human error, whether it is the direct cause of a privacy event or an inadvertent action that assists an external bad actor, also contributes to a practitioner's data security risk.

While fending off external attacks are important, sound security practices practitioners employ in their own office are equally important in managing information security risks. Let's cover a few of these.

Phishing Emails

Phishing is a form of social engineering in which a bad actor uses various technological channels, typically an email, to solicit personal information from a targeted individual or company by posing as a credible source. To address risks associated with phishing attempts, practitioners should consider using anti-phishing tools that commonly provide the following types of capabilities:

- Preventive means to scan for and block malicious links, attachments, or accounts;
- Simulation of phishing attacks on users to test and raise their phishing attack awareness and detection savvy; and
- Post-delivery capabilities to intercept and neutralize malware and/or ransomware when a phishing message is opened.

Passwords

Strong passwords are basic, yet paramount, in controlling how internal system users are authenticated and allowed to access a firm's systems. The more critical an application is to one's organization, the more robust the authentication requirements should be. Many types of authentication methods are available, including:

- system-level password configurations
- multifactor authentication
- single sign-on, and
- password managers that generate and store complex passwords.

With the increased use of cloud applications to enable business functions, practitioners also should understand the authentication requirements controlled by the cloud application vendor versus those that can be configured or controlled by the user in order to achieve the most appropriate level of control over authentication.

Document Management Systems

It is hard to believe how much document management has changed over the last thirty years. Modern systems have far greater capabilities than those designed even ten years ago. They are vital in preserving records and maintaining security over confidential client files. Anyone who has worked through busy season bears witness to growing piles of paper and the inherent risk of records being misplaced, or worse, compromised.

Additionally, the regulatory implications of storing data are on the rise. Regulations such as the General Data Protection Regulation instituted by the European Union have applied conditions to erase personal data that is no longer necessary in relation to the purpose for which it was originally collected or processed. Similar data security laws, such as the California Consumer Privacy Act, have been adopted by some U.S. states, and the momentum for enacting comparable statutes in other states does not appear to be slowing anytime soon.

When it comes to users and accounts, apply the concept of "least privilege." In other words, access to sensitive information should be restricted based upon whether certain users require that information or knowledge to execute their intended job functions. Firms and practitioners should consider how access to key applications is provisioned to ensure the access granted to users is commensurate with their job functions. Also, consider reviewing access to key applications at least once a year, and more frequently for privileged accounts, to determine whether stale accounts that are neither used nor needed are removed or disabled and that user access for appropriate accounts is assigned appropriate privileges.

[ITEM 3] The Tax Gap

On September 26th, the IRS released a new set of tax gap estimates on tax years 2011, 2012 and 2013. The results show the nation's tax compliance rate is substantially unchanged from prior years.

The gross tax gap is the difference between true tax liability for a given period and the amount of tax that is paid on time. "Voluntary compliance is the bedrock of our tax system, and it's important it is holding steady," said IRS Commissioner Chuck Rettig. "Tax gap estimates help policy makers and the IRS in identifying where noncompliance is most prevalent. The results also underscore that both solid taxpayer service and effective enforcement are needed for the best possible tax administration."

The average gross tax gap was estimated at $441 billion per year based on data from tax years 2011, 2012 and 2013. After late payments and enforcement efforts were factored in, the net tax gap was estimated at $381 billion. The tax gap estimates translate to about 83.6%, for taxes paid voluntarily and on time, which is in line with recent levels. The new estimate is essentially unchanged from a revised Tax Year 2008-2010 estimate of 83.8%. After enforcement efforts are taken into account, the estimated share of taxes eventually paid is 85.8% for both periods. And it is line with the TY 2001 estimate of 83.7% and the TY 2006 estimate of 82.3%. The IRS vows to vigorously pursue those that are not compliant. The IRS currently collects more than $3 trillion annually in taxes, penalties, interest and user fees.

Tax Gap studies through the years have consistently demonstrated that third-party reporting significantly raises voluntary compliance. And compliance rises even higher when income payments are also subject to withholding. The IRS also has put out an array of programs aimed at supporting accurate tax filing and helping address the tax gap. These range from working with businesses and partner groups to a variety of education and outreach efforts.

The tax gap estimates are a helpful guide to the historical scale of tax compliance and to the persisting sources of low compliance. "Maintaining the highest possible voluntary compliance rate also helps ensure that taxpayers believe our system is fair," Rettig said. "The vast majority of taxpayers strive to pay what they owe on time. Those who do not pay their fair share ultimately shift the tax burden to those people who properly meet their tax obligations. The IRS will continue to direct our resources to help educate taxpayers about the tax requirements under the law while also focusing on pursuing those who skirt their responsibilities."

[ITEM 4] Reporting requirements for tax-exempt organizations

Tax-exempt organizations will now be able to find most of their reporting requirements in one place under recent regulations proposed by the IRS (REG-102508-16). This rulemaking mainly consolidates existing sub-regulatory guidance in one location, while also responding to a recent court decision that held invalid the agency's attempt to change certain donor-reporting rules.

Donor reporting

Previously, the IRS issued a revenue procedure in 2018 announcing that many tax-exempt organizations no longer need to report the names and addresses of their substantial financial donors (Rev. Proc. 2018-38). However, a federal court in Montana ruled in late July that if the IRS wishes to cease requiring this data about substantial donors, it must follow a more formal rulemaking procedure (Bullock, No. CV-18-103 (D. Mont. 7/30/19)). By issuing this new proposed set of regulations, the IRS did precisely what the court indicated was necessary by initiating a notice-and-comment rulemaking process.

Under the proposed regulations, the only organizations that will need to report the names and addresses of substantial contributors generally are Sec. 501(c)(3) organizations and Sec. 527 political organizations. Other exempt organizations will no longer have to include this donor data on Form 990, Form 990-EZ, or Form 990-PF. However, all these organizations will continue to be obligated to collect and keep this information and make it available to the IRS upon request.

In the Bullock case, Montana and New Jersey filed suit to block the IRS from making this change, which they said would inhibit their ability to enforce their own laws regulating the activities of tax-exempt organizations, because federal substantial-contributor data is shared with the states. The court agreed with the states' contention that the IRS had followed the wrong procedural avenue when it altered the reporting requirements by way of a revenue procedure rather than through notice-and-comment rulemaking.

In a related development, the IRS issued Notice 2019-47 to provide penalty relief for certain exempt organizations that, relying on the 2018 guidance that the court subsequently set aside in Bullock, do not report the names and addresses of donors on annual returns for tax years ending on or after Dec. 31, 2018, and on or prior to July 30, 2019.

Other changes

Besides modifying the substantial-donor reporting rules, the proposed regulations contain an assortment of other provisions and will "further increase the ability of a taxpayer generally to find its reporting requirements in one place," according to the IRS. Among other things, the proposed regulations will continue to excuse certain organizations from having to file an annual return if they normally have gross receipts of $50,000 or less, an exception currently found in Rev. Proc. 2011-15. The regulations are proposed to be effective as of the date they are finalized. The IRS is requesting comments by Dec. 9th.

[ITEM 5] IR-2019-158, Safe Harbor for 199A

Recently issued Revenue Procedure 2019-38 is a safe harbor allowing certain interests in rental real estate, including interests in mixed-use property, to be treated as a trade or business for purposes of the qualified business income deduction under section 199A.

If all the safe harbor requirements are met, an interest in rental real estate will be treated as a single trade or business for purposes of the section 199A deduction. If an interest in real estate fails to satisfy all the requirements of the safe harbor, it may still be treated as a trade or business for purposes of the section 199A deduction if it otherwise meets the definition of a trade or business in the section 199A regulations.

This safe harbor is available for taxpayers who seek to claim the section 199A deduction with respect to a "rental real estate enterprise." Solely for purposes of this safe harbor, a rental real estate enterprise is defined as an interest in real property held to generate rental or lease income. It may consist of an interest in a single property or interests in multiple properties. The taxpayer or a relevant passthrough entity (RPE) relying on this revenue procedure must hold each interest directly or through an entity disregarded as an entity separate from its owner, such as a limited liability company with a single member.

The following requirements must be met by taxpayers or RPEs to qualify for this safe harbor:

- Separate books and records are maintained to reflect income and expenses for each rental real estate enterprise.

- For rental real estate enterprises that have been in existence less than four years, 250 or more hours of rental services are performed per year.
- For other rental real estate enterprises, 250 or more hours of rental services are performed in at least three of the past five years.
- The taxpayer maintains contemporaneous records, including time reports, logs, or similar documents, regarding the following: hours of all services performed; description of all services performed; dates on which such services were performed; and who performed the services.
- The taxpayer or RPE attaches a statement to the return filed for the tax year(s) the safe harbor is relied upon.

REVIEW QUESTIONS AND SOLUTIONS

1. The private debt collection program, enacted by Congress, requires the IRS to contract private collection agencies to collect certain outstanding tax debts. In certain instances, the IRS will not assign accounts to these private collection agencies. Which of the following taxpayers would not be assigned by the IRS for collection in this regard?
   a. Deceased Taxpayers
   b. Taxpayers under the age of 25
   c. Foreign Taxpayers

2. The private debt collection program raises concerns that taxpayers may fall victim to identity theft or fraud in connection with collection pursuits. Which of the following measures is employed by the IRS to ensure that taxpayers are working with legitimate IRS agents or individuals contracted by the IRS to pursue collections?
   a. Taxpayers will receive two letters, one from the IRS and one from the Private Collection Agency, each of which includes the taxpayer's social security number which provides validity to the request.
   b. Tax payments made by check are made payable to the Private Collection Agency to ensure that payments are posted to the correct account.
   c. Private collection agencies will not ask for a payment on a gift card.

3. A form of fraud in which a person sends an email to solicit personal information from a targeted individual by posing as a creditable source is known as ___________ .
   a. shoulder surfing
   b. phishing
   c. skimming

4. Tax Gap studies through the years have consistently demonstrated that ____________ .
   a. The tax gap fluctuates wildly from year to year
   b. Audit's serve as the bedrock of the current US tax system
   c. Third party reporting significantly raises voluntary compliance

5. Recently issued ___________ conveniently centralizes most reporting requirements for tax-exempt organizations.
   a. Rev. Proc 2018-38
   b. REG-102508-16
   c. Notice 2019-47

6. In conjunction with Rev. Proc 2019-38, as it relates to the safe harbor provisions for Section 199A, a __________ is defined as an interest in real property held to generate rental or lease income.
   a. Rental real estate enterprise
   b. Relevant pass through entity
   c. Mixed use entity

Solutions

1. **[a] Correct,** Additionally, victims of tax-related identity theft or taxpayers in a designated combat zone would not be assigned to a private collection agency (PCA).
   [b] Incorrect, Taxpayers that are under the age of 18, not 25, would not be assigned to accounts under this program.
   [c] Incorrect, Foreign taxpayers are not specifically excluded under this program. The private debt collection program, enacted by Congress, requires the IRS to contract PCAs to collect certain outstanding tax debts.

2. **[a] Incorrect,** Both letters will include a Taxpayer Authentication Number (TAN). The TAN will be used to authenticate the PCA and to verify the identity of the taxpayer, instead of using their social security number.
   [b] Incorrect, Payments by check are to be made payable to the U.S. Treasury and sent directly to the IRS, not the

private collection agency.
[c] Correct, Private collection agencies will not ask for payment on a prepaid debit, iTunes or gift card.

3. **[a] Incorrect,** Shoulder surfing is the practice of spying on a user of an ATM, computer, or other electronic device in order to obtain their personal access information.
[b] Correct, Internal human error, whether it is the direct cause of a privacy event or an inadvertent action that assists an external bad actor, contributes to a firm's data security risk.
[c] Incorrect, Skimming fraud is the theft of cash from a business prior to its entry into the accounting system for that company.

4. **[a] Incorrect,** The current tax gap estimates translate to about 83.6%, for taxes paid voluntarily and on time, which is in line with recent levels. The new estimate is essentially unchanged from a revised Tax Year 2008-2010 estimate of 83.8%.
[b] Incorrect, Tax Gap studies through the years have consistently demonstrated that third-party reporting significantly raises voluntary compliance. And compliance rises even higher when income payments are also subject to withholding.
[c] Correct, The tax gap estimates are a helpful guide to the historical scale of tax compliance and to the persisting sources of low compliance.

5. **[a] Incorrect,** This Rev. Proc relates to tax-exempt organizations stating that they no longer need to report the names and addresses of their substantial financial donors.
[b] Correct, This rulemaking mainly consolidates existing sub-regulatory guidance in one location, while also responding to a recent court decision that held invalid the agency's attempt to change certain donor-reporting rules.
[c] Incorrect, Notice 2019-47 addresses penalty relief guidance for certain exempt organizations.

6. **[a] Correct,** It may consist of an interest in a single property or interests in multiple properties.
[b] Incorrect, If all the safe harbor requirements are met, an interest in rental real estate will be treated as a single trade or business for purposes of the section 199A deduction.
[c] Incorrect, If an interest in real estate fails to satisfy all the requirements of the safe harbor, it may still be treated as a trade or business for purposes of the section 199A deduction if it otherwise meets the definition of a trade or business in the section 199A regulations.

[ITEM 6] Burack, T.C. Memo. 2019-83

Burack, T.C. Memo. 2019-83 focuses on a recent Tax Court decision which held that a taxpayer's distribution from her individual retirement account (IRA) redeposited 62 days later into the IRA was a nontaxable rollover distribution. According to the court, the untimely deposit was due to a bookkeeping error by her financial adviser's company, and, furthermore, the taxpayer qualified for a hardship waiver under Sec. 408(d)(3)(I).

Facts

On June 25, 2014, Nancy Burack received a $524,982 distribution from her IRA that she held with Capital Guardian LLC/Pershing LLC. She had a financial adviser at Capital Guardian, while Pershing was the custodian of the account. She used the proceeds to purchase a new home. In August 2014 she sold her old home and received a check for $524,981 made out to "Pershing FBO Nancy J. Burack" that was to be rolled over into her IRA. Based on the advice of her financial adviser at Capital Guardian, she sent the check to Capital Guardian, which received it 58 days after her initial IRA withdrawal. The amount was deposited into her IRA by Pershing 62 days after her initial withdrawal.

In 2017, the IRS sent Burack a deficiency notice for $214,333 plus an accuracy-related penalty of $42,867, on the basis that her IRA rollover was not timely. She petitioned the Tax Court for relief.

Issues

Burack argued that the rollover was not recorded as timely because of a bookkeeping error by Capital Guardian and she was entitled to a hardship waiver under Sec. 408(d)(3)(I). Generally, amounts distributed to a taxpayer from his or her traditional IRA are included in gross income; however, the taxpayer may exclude them if the entire amount is rolled over into a qualified IRA no later than the 60th day after the receipt of the distribution. The Tax Court, in Wood, 93 T.C. 114 (1989), held that a transfer qualified for rollover treatment where the account custodian made a bookkeeping error resulting in the failure to record the transfer within the 60-day period.

If a taxpayer fails to meet the 60-day deadline, the taxpayer can request a waiver of the 60-day rollover requirement, and the IRS can grant that waiver "where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement" (Sec. 408(d)(3)(I)). Rev. Proc. 2003-16, Section 3.03, states that taxpayers qualify for an automatic hardship waiver of the 60-day rollover period if (1) the funds are deposited into an eligible retirement plan within one year from the beginning of the 60-day rollover period, and (2) the rollover would have been valid if the financial institution had deposited the funds as instructed.

Holding

The Tax Court agreed with both of the taxpayer's arguments. The IRS argued that Pershing was the account custodian and that Burack should have sent the rollover contribution to Pershing, not Capital Guardian. However, because all of Burack's communication was with Capital Guardian and all of her IRA account statements came from that company, the court held that it was appropriate for Burack to send the check to Capital Guardian, and its bookkeeping error caused the late recording of the rollover. Thus, the court found that the distribution qualified for rollover treatment.

Although this finding was sufficient to grant the taxpayer relief, the court also considered whether Burack was eligible for a hardship waiver. Because the funds were deposited in her IRA within one year and the rollover would have been timely if Capital Guardian had deposited the funds as instructed, as required by Rev. Proc. 2003-16, the Tax Court concluded that she was eligible for a hardship waiver.

Commentary: Historically one should never flirt with the edges of the 60-day rollover deadline. Wherever possible, practitioners should consider employing a 50-day window to provide extra days for unforeseen contingencies.

[ITEM 7] Taxable Income or Non-Taxable Gift?

In its recent opinion, Brown, T.C. Memo. 2019-69, the Tax Court considered whether amounts a clergyman and his wife had received were deemed nontaxable gifts, or whether they crossed the line to taxable income. The court's decision in this case could be very informative for practitioners with tax clients who are members of the clergy.

In an audit of the 2007, 2008, and 2009 returns of Mikel A. Brown Sr., a church pastor, and his wife, Debra A. Brown, the IRS used the bank deposit method to reconstruct their taxable income. The IRS auditor analyzed the taxpayers' bank statements and records to identify total deposits, and asked the taxpayers where the deposits came from. Deposits for which the taxpayers could not identify the source were classified as taxable by the auditor. Using this method, the IRS asserted unreported income in each of the three years under audit. The taxpayers asserted that the unreported amounts represented nontaxable gifts from church members.

Gifts

Citing a Fifth Circuit opinion, Bass v. Hawley, 62 F.2d 721 (5th Cir. 1933), which found that gifts arise from "personal affection or regard or pity," the court focused on four criteria used in prior case law to examine payments to clergy and differentiate between payments that are nontaxable and those that are taxable:

1. Were the payments an exchange for services? For example, did they compensate for a lower salary, or were they offered in an effort to retain the clergy's services? The court cited the size of the gifts as an indication that the payments were made to encourage Brown to remain in his position.

2. Were the payments requested by the clergy or other officials of the religious group? In this case, the court noted the use of a single envelope giving system, rather than an envelope for church contributions and an envelope for gifts to the pastor. In addition, church members gave more heavily on two specific days of the year chosen to honor the pastor, which the court found indicative that church members had been requested to give at those specified times.

3. Were the payments part of a routine, structured program? The court found that the church had a bookkeeping system that routinely collected and remitted payments to Brown. The court viewed this routine as supporting the characterization of the payments as income rather than gifts.

4. How did the amount of salary compare to the amount of the unreported payments? The unreported payments were comparable to, and in one year exceeded, the amount of salary, which the court determined supported the position that they were income, rather than gifts.

The court found the payments qualified as income rather than gifts under all four criteria, and consequently concluded that the unreported payments were taxable income.

Accuracy-related penalties

The Browns argued that the Sec. 6662(a) accuracy-related penalties the IRS imposed against them should not apply because they had relied on tax professionals to prepare their returns. Although neither of the two tax preparers who prepared returns for the Browns during the audit period had asked the Browns whether they had received any gifts, the court came to different conclusions about whether the Brown's reliance on them was reasonable.

The court found that the preparer of the couple's 2007 return had no knowledge of the gifts, so the Browns' did not rely on him with reasonable cause and in good faith, and the accuracy-related penalty applied for 2007. However, the CPA who prepared the couple's 2008 and 2009 returns had done some accounting for the church. The court determined that it was reasonable for the Browns to believe that the preparer was aware of the existence of the gifts and would report them correctly. Therefore, the court found that the taxpayers acted with reasonable cause and in good faith in relying of the preparer and consequently were not liable for an accuracy-related penalty for 2008 or 2009.

[ITEM 8] TIGTA Report

The Spring edition of the *Elite Quarterly* included a discussion concerning the annual report presented to Congress issued by the Office of the Taxpayer Advocate. The Taxpayer Advocate Service (TAS), is an independent office within the IRS. It is under the supervision and direction of the Taxpayer Advocate who is appointed by and reports directly to the Commissioner of Internal Revenue. The primary objectives of the TAS is to protect taxpayer rights, assist with individual problem resolution, and recommend changes that prevent future problems. Highlights of this year's annual report covered many problems encountered by taxpayers including failure to answer tax law questions and lack of educating taxpayers in the midst of correspondence audits.

In a somewhat different role, the Treasury Inspector General for Tax Administration (TIGTA) is an office in the United States Federal government. It was established in January 1999 in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) to provide independent oversight of IRS activities.

The Reports Consolidation Act of 2000 requires that TIGTA summarize, for inclusion in the annual Department of the Treasury Agency Financial Report, its perspective on the most serious management and performance challenges confronting the IRS. Each year, TIGTA evaluates IRS programs, operations, and management functions to identify the areas of highest vulnerability to the nation's tax system.

For Fiscal Year (FY) 2020, the IRS's top management and performance challenges, in order of priority, are:

- Security Over Taxpayer Data and Protection of IRS Resources;
- Implementing Tax Law Changes;
- Addressing Emerging Threats to Tax Administration;
- Supporting an Enhanced Taxpayer Experience;
- Modernizing IRS Operations;
- Improving Tax Reporting and Payment Compliance;
- Reducing Fraudulent Claims and Improper Payments;
- Impact of Global Economies;
- Protecting Taxpayer Rights; and
- Achieving Operational Efficiencies.

In connection with this report, we have provided select excerpts which detail some of the challenges and issues encountered during this evaluation by TIGTA.

Security Over Taxpayer Data and Protection of IRS Resources

Attacks against IRS online portals can have wide-ranging negative ramifications. This was clearly demonstrated in recent years through high-profile attacks against the IRS eAuthentication web portal and the IRS Data Retrieval Tool within the U.S. Department of Education Free Application for Federal Student Aid website, which caused both applications to be taken offline. The absence of these resources affected taxpayers' ability to timely file annual tax returns and, in the case of the latter application, negatively affected the spring college enrollment process nationwide.

TIGTA reported that the IRS is making progress at improving electronic authentication controls on its public-facing applications. However, the IRS's 52 public-facing applications are not yet compliant with the National Institute of Standards and Technology guidelines issued in June 2017, even though the Office of Management and Budget required compliance within one year of publication. Without full compliance with the new guidelines, the IRS increases the risk of using inappropriate authentication controls, which could allow unauthorized access and activities, compromise taxpayer records, and cause revenue to be lost due to identity theft refund fraud.

TIGTA also reported significant vulnerabilities within the IRS Bring Your Own Device (BYOD) program, which allows its employees to access work resources using their personal mobile devices. For example, the risk of data leakage with personally owned iPhones® is increased because iPhones enable the screen capture functionality. In addition, the BYOD servers also contain critical and high-risk vulnerabilities. Of the 68 critical and high-risk vulnerabilities identified in one month, 18 (26 percent) were classified as easily exploitable.

Implementing Tax Law Changes

Implementation of tax law changes will continue to present challenges for the IRS. For example, the Taxpayer First Act, enacted on July 1, 2019, requires the IRS to propose an organizational redesign, with the goals of improving efficiency, modernizing systems and business processes and finding ways to better serve taxpayers.

In addition, the Tax Cuts and Jobs Act of 2017 also made substantial changes to the tax code that affect individuals, businesses, and tax-exempt organizations. TIGTA has continued to assess the IRS's efforts to implement the provisions of this legislation.

Specifically, TIGTA reported that the IRS had to create 48 new tax products, revise 494 existing tax products, and perform computer programming changes affecting 128 information technology systems, including addressing changes in the location of data fields in its fraud detection systems. In addition, the IRS developed an overarching communication outreach strategy that informs stakeholders of tax law changes related to various tax provisions of the Tax Cuts and Jobs Act and also developed a hiring and training plan to support its customer service initiatives.

Addressing Emerging Threats to Tax Administration

For the 2019 Filing Season, the IRS is using 193 identity theft filters to identify potentially fraudulent individual tax returns and prevent the issuance of fraudulent tax refunds. As of April 30, 2018, the IRS reported that it had identified 2.8 million tax returns with refunds totaling $16.6 billion for additional review because of identity theft filters.

In addition, the IRS developed additional filters in response to TIGTA recommendations to improve the detection of fraudulent tax returns that use Schedule C, Profit or Loss From Business (Sole Proprietorship), income and foreign addresses. However, because of programming errors and the use of a dollar tolerance, TIGTA reported that 28,092 potentially fraudulent tax returns with refunds totaling more than $4.4 million were not identified.

In addition to identity theft, telephone calls from criminals impersonating IRS agents also land near the top of the IRS's "Dirty Dozen" tax scams and remain an ongoing threat to taxpayers as con artists threaten taxpayers with arrest, deportation, and license revocation if the victim does not pay a bogus tax bill. Since the fall of 2013, a significant amount of TIGTA's Office of Investigations workload has consisted of investigating these scams in which more than 2.5 million intended victims have received unsolicited telephone calls from individuals falsely claiming to be IRS or Department of the Treasury employees. To date, more than 15,700 victims reported that they have paid approximately $79 million to these criminals. The number of complaints TIGTA has received about this scam has cemented its status as the largest, most pervasive impersonation scam in the history of the IRS.

<u>Modernizing IRS Operations</u>

In April 2019, the IRS issued its Integrated Modernization Business Plan, which is a six-year road map to improve the taxpayer experience by modernizing core tax administration systems, IRS operations, and cyber security. Successful modernization of systems and the development and implementation of new information technology applications are critical to meeting the IRS's evolving business needs and enhancing services provided to taxpayers. The IRS's reliance on legacy (i.e., older) systems and aged hardware and software, and its use of outdated programming languages, pose significant risks to the IRS's ability to deliver its mission. Modernizing the IRS's computer systems has been a persistent challenge for many years and will likely remain a challenge for the foreseeable future.

<u>Improving Tax Reporting and Payment Compliance</u>

As required by the 2015 Fixing America's Surface Transportation Act, the IRS implemented the Private Debt Collection (PDC) program to begin using private collection agencies (PCA) to collect inactive tax receivables that the IRS previously could not collect. The Joint Committee on Taxation estimated that the current PDC program would yield approximately $2.4 billion in additional revenue through FY 2025. As of September 2018, the IRS had assigned more than 700,000 taxpayer accounts to private collectors. The PCAs collected approximately $88.8 million (2 percent) from the balance owed on these accounts. They also established more than 21,000 payment arrangements, but taxpayers later failed to make payments on more than half of them. Both the IRS and the PCAs monitor performance using various attributes such as procedural accuracy and professionalism. All of the PCAs performed well under these attributes. However, the performance attributes focus almost entirely on the PCAs' telephone conversations with the taxpayers and do not measure other important aspects of case management, such as returning cases to the IRS when required and the accuracy of payment arrangements. TIGTA also reported that PCA payment calculators do not calculate interest and penalties accurately.

Another area of concern is collecting the tax owed by self-employed individuals. Studies based on IRS National Research Program data have found that sole proprietors underreported their net income by 64 percent (based on the average for Tax Years (TY) 2008 through 2010), which is up from 57 percent in the TY 2001 estimate. With the growth of online platform companies in recent years, which allow people easy and convenient ways to obtain needed services and others to work as self-employed individuals providing those services (also known as the "gig economy"), it is likely that self-employment tax underreporting will continue to be a growing problem if not addressed. The gig economy is comprised of online platform companies such as Uber, Lyft, Etsy, Handy, and TaskRabbit.

TIGTA recently reported that billions of dollars in potential tax discrepancies involving taxpayers who earn income in the gig economy are not worked by the IRS. Many cases were not selected to be worked by IRS programming due to the large volume of discrepancies that were identified. In addition, IRS employees removed thousands of cases from inventory without justification or with justification that was inaccurate.
Further, Treasury Regulations do not require certain gig economy businesses to issue Form 1099-K, Payment Card and Third-Party Network Transactions, unless workers earn at least $20,000 and engage in at least 200 transactions annually. Consequently, many taxpayers who earn income in the gig economy do not receive a Form 1099-K; therefore, their income is not reported to the IRS. When income is not reported to the IRS, taxpayers are more likely to be noncompliant.

<u>Protecting Taxpayer Rights</u>

Over the years, TIGTA has audited certain taxpayer rights provisions and reported that, in general, the IRS has improved its compliance with these statutory provisions and is documenting its protection of taxpayer rights. However, during the review of the IRS's process to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties, TIGTA found that some taxpayer audit files lacked documentation to support that employees followed the IRS's internal procedures for further explaining the taxpayers' rights to the taxpayers. In addition, TIGTA's review found instances in which the audit files lacked documentation to support that the IRS complied with procedures requiring the notification of a taxpayer's representative when an authorization for third-party representation existed.

During the review of the IRS Office of Appeals Collection Due Process Program, TIGTA determined from a statistical sample that the IRS did not always classify taxpayer requests properly, and as a result, some taxpayers received the wrong type of hearing. The IRS also did not timely process the hearing requests for some taxpayers and made errors relating to the determination of the Collection Statute Expiration Date (CSED) on taxpayer accounts. The CSED is the expiration of the time period established by law to collect taxes. From a statistically valid sample, TIGTA identified instances in which the IRS incorrectly extended the CSED, allowing the IRS additional time it should not have had to collect the delinquent taxes.

TIGTA also evaluated the IRS's compliance with legal seizure provisions. TIGTA reviewed a judgmental sample of 52 of the 260 seizures conducted from July 1, 2017, through June 30, 2018, to determine whether the IRS complied with legal and internal guidelines related to each seizure. TIGTA identified instances in which the IRS did not comply with a particular Internal Revenue Code section or an internal procedure or there was no guidance present.

[ITEM 9] 2020 vs. 2019

Let's revisit a few key changes practitioners should be mindful of as we wind down 2019 and consider the 2020 filing season. The impact of tax reform brings continued change, particularly in the way of inflation adjustments, as highlighted by a sample of impacted limits/deductions at the end of this section. Many key dollar figures — from standard deductions to retirement account contribution limits — can change every year due to inflation. Additionally, some aspects of the TCJA didn't take effect until this year, most notably:

<u>No individual mandate penalty</u> - The shared responsibility payment — commonly referred to as the individual mandate penalty — has applied to taxpayers required to have health insurance under the Affordable Care Act but who did not obtain coverage and did not qualify for an exemption. Starting in 2019, however, there is no penalty. Taxpayers who do not have health insurance this year will not owe the penalty when they file their taxes in 2020.

<u>Higher medical expense deduction threshold</u> - Another way in which the 2010's Affordable Care Act had an impact on taxes was by raising the threshold for deductible medical and dental expenses from 7.5% to 10% of AGI. The TCJA gave taxpayers a brief reprieve from that change, lowering the threshold back down to 7.5%, but only for the 2017 and 2018 tax years. Starting in 2019, it returns to 10%.

<u>No alimony deduction</u> - Elimination of the alimony deduction is another Tax Cuts and Jobs Act change that took effect in 2019 rather than 2018. For divorce and separation agreements made or modified this year or thereafter, alimony payments will not be deductible.

<u>Higher retirement account contribution limits</u>

- 401(k) base contribution: $19,000 (up from $18,500 last year)
- 401(k) catch-up contribution (for taxpayers age 50 and older): additional $6,000 (unchanged)
- IRA base contribution: $6,000 (up from $5,500)
- IRA catch-up contribution (for taxpayers age 50 and older): additional $1,000 (unchanged)

<u>Higher HSA contribution limits</u>

- Self-only coverage: $3,500 (up from $3,450 last year)
- Family coverage: $7,000 (up from $6,900)

<u>Higher standard deduction amounts</u>

- Married filing jointly: $24,400 (up $400 from last year)
- Married filing separately: $12,200 (up $200)
- Head of household: $18,350 (up $350)
- Single: $12,200 (up $200)

[ITEM 10] Cryptocurrencies

The IRS recently issued a second early draft version of the new Schedule 1 for this upcoming tax season's Form 1040. This latest revision now leads with a question about whether a taxpayer has sold, received, exchanged or acquired cryptocurrencies.

The question asks, "At any time during 2019, did you receive, sell, send, exchange or otherwise acquire any financial interest in any virtual currency?"

In a recent email, The IRS stated to tax professionals that taxpayers who file Schedule 1 to report income or adjustments to income that can't be entered directly on Form 1040 should check the appropriate box to answer the question about virtual currency. Taxpayers do not need to file Schedule 1 if their answer to this question is no and they do not have to file Schedule 1 for any other purpose. The related draft Form 1040 instructions are also now available on IRS.gov, and they include instructions to help taxpayers determine how they should answer this new question.

Additionally, the IRS recently issued two new pieces of guidance for taxpayers who engage in transactions involving virtual currency, including Revenue Ruling 2019-24 and Frequently Asked Questions. This new guidance supplements the original guidance the IRS issued back in 2014 on virtual currency in Notice 2014-21 that describes how virtual currency is treated for federal tax purposes.

This new revenue ruling addresses some common questions by taxpayers and tax practitioners regarding the tax treatment of a cryptocurrency hard fork, soft fork and airdrop. The set of FAQs explains virtual currency transactions for those who hold virtual currency as a capital asset. We'll take this opportunity to review this revenue ruling in greater detail.

Rev. Rul. 2019-24 - Issues

Does a taxpayer have gross income under § 61 of the Internal Revenue Code (Code) as a result of a hard fork of a cryptocurrency the taxpayer owns if the taxpayer does not receive units of a new cryptocurrency? Does a taxpayer have gross income under § 61 as a result of an airdrop of a new cryptocurrency following a hard fork if the taxpayer receives units of new cryptocurrency?

Background

Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and a store of value other than a representation of the United States dollar or a foreign currency. Foreign currency is the coin and paper money of a country other than the United States that is designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange in the country of issuance.

Cryptocurrency is a type of virtual currency that utilizes cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain. Units of cryptocurrency are generally referred to as coins or tokens. Distributed ledger technology uses independent digital systems to record, share, and synchronize transactions, the details of which are recorded in multiple places at the same time with no central data store or administration functionality.

A hard fork is unique to distributed ledger technology and occurs when a cryptocurrency on a distributed ledger undergoes a protocol change resulting in a permanent diversion from the legacy or existing distributed ledger. A hard fork may result in the creation of a new cryptocurrency on a new distributed ledger in addition to the legacy cryptocurrency on the legacy distributed ledger. Following a hard fork, transactions involving the new cryptocurrency are recorded on the new distributed ledger and transactions involving the legacy cryptocurrency continue to be recorded on the legacy distributed ledger.

An airdrop is a means of distributing units of a cryptocurrency to the distributed ledger addresses of multiple taxpayers. A hard fork followed by an airdrop results in the distribution of units of the new cryptocurrency to addresses containing the legacy cryptocurrency. However, a hard fork is not always followed by an airdrop. Cryptocurrency from an airdrop generally is received on the date and at the time it is recorded on the distributed ledger. However, a taxpayer may constructively receive cryptocurrency prior to the airdrop being recorded on the distributed ledger. A taxpayer does not have receipt of cryptocurrency when the airdrop is recorded on the distributed ledger if the taxpayer is not able to exercise dominion and control over the cryptocurrency. For example, a taxpayer does not have dominion and control if the address to which the cryptocurrency is airdropped is contained in a wallet managed through a cryptocurrency exchange and the cryptocurrency exchange does not support the newly-created cryptocurrency such that the airdropped cryptocurrency is not immediately credited to the taxpayer's account at the cryptocurrency exchange. If the taxpayer later acquires the ability to transfer, sell, exchange, or otherwise dispose of the cryptocurrency, the taxpayer is treated as receiving the cryptocurrency at that time.

Facts

Situation 1: A holds 50 units of Crypto M, a cryptocurrency. On Date 1, the distributed ledger for Crypto M experiences a hard fork, resulting in the creation of Crypto N. Crypto N is not airdropped or otherwise transferred to an account owned or controlled by A.

Situation 2: B holds 50 units of Crypto R, a cryptocurrency. On Date 2, the distributed ledger for Crypto R experiences a hard fork, resulting in the creation of Crypto S. On that date, 25 units of Crypto S are airdropped to B's distributed ledger address and B has the ability to dispose of Crypto S immediately following the airdrop. B now holds 50 units of Crypto R and 25 units of Crypto S. The airdrop of Crypto S is recorded on the distributed ledger on Date 2 at Time 1 and, at that date and time, the fair market value of B's 25 units of Crypto S is $50. B receives the Crypto S solely because B owns Crypto R at the time of the hard fork. After the airdrop, transactions involving Crypto S are recorded on the new distributed ledger and transactions involving Crypto R continue to be recorded on the legacy distributed ledger.

Law and Analysis

Section 61(a)(3) provides that, except as otherwise provided by law, gross income means all income from whatever source derived, including gains from dealings in property. Under § 61, all gains or undeniable accessions to wealth, clearly realized, over which a taxpayer has complete dominion, are included in gross income. In general, income is ordinary unless it is gain from the sale or exchange of a capital asset or a special rule applies.

Section 1011 of the Code provides that a taxpayer's adjusted basis for determining the gain or loss from the sale or exchange of property is the cost or other basis determined under § 1012 of the Code, adjusted to the extent provided under § 1016 of the Code. When a taxpayer receives property that is not purchased, unless otherwise provided in the Code, the taxpayer's basis in the property received is determined by reference to the amount included in gross income, which is the fair market value of the property when the property is received.

Section 451 of the Code provides that a taxpayer using the cash method of accounting includes an amount in gross income in the taxable year it is actually or constructively received. A taxpayer using an accrual method of accounting generally includes an amount in gross income no later than the taxable year in which all the events have occurred which fix the right to receive such amount. Let's apply the law as it relates to previously expressed facts under Situation 1 & 2.

Situation 1: A did not receive units of the new cryptocurrency, Crypto N, from the hard fork; therefore, A does not have an accession to wealth and does not have gross income under § 61 as a result of the hard fork.

Situation 2: B received a new asset, Crypto S, in the airdrop following the hard fork; therefore, B has an accession to wealth and has ordinary income in the taxable year in which the Crypto S is received. B has dominion and control of Crypto S at the time of the airdrop, when it is recorded on the distributed ledger, because B immediately has the ability to dispose of Crypto S. The amount included in gross income is $50, the fair market value of B's 25 units of Crypto S when the airdrop is recorded on the distributed ledger. B's basis in Crypto S is $50, the amount of income recognized.

Holdings

A taxpayer does not have gross income under § 61 as a result of a hard fork of a cryptocurrency the taxpayer owns if the taxpayer does not receive units of a new cryptocurrency. A taxpayer has gross income, ordinary in character, under § 61 as a result of an airdrop of a new cryptocurrency following a hard fork if the taxpayer receives units of new cryptocurrency.

[ITEM 11] - 2020 Census

Our world is ever-changing and delivers new challenges to practitioners and clients on a daily basis. This edition of the *Elite Quarterly* focused, in part, on the challenges the IRS faces in the modern, tech driven, world. We would like to devote this final section to another important topic that impacts our lives, and how we position ourselves for the world of tomorrow: Population Trends. We would like to share some excerpts from a recent publication from the Population Reference Bureau, entitled “America's Changing Population: What to Expect in the 2020 Census”.

CPA's, Enrolled Agents, and Tax Practitioners witness, first hand, the changes and trends within their client base. Anticipating future trends and positioning one's practice for the world of tomorrow is not so much a luxury, as it is a necessity.

April 1, 2020 Census Day

The U.S. Constitution mandates that a census be taken every 10 years to count all people— both citizens and noncitizens— living in the United States. An accurate count of the population is both required by law and serves as the basis for fair political representation, and it plays a vital role in many areas of public life.

- State population counts from the census are used to reapportion seats in the U.S. House of Representatives across the 50 states.
- State and local officials use census results to help redraw congressional, state, and local district boundaries to meet the one-person, one-vote rule.
- Governments and nonprofit organizations rely on census data to determine the need for new roads, hospitals, schools, and other public sector investments.
- Census data are also vital to businesses as a key source of information about the changing needs of the U.S. population.
- Census data are used to distribute more than $675 billion in federal funds to states and local communities for health, education, housing, and infrastructure programs.

This following is a preview of 2020 Census results— identified through data from surveys, population estimates, and projections—and an overview of key population and housing trends that will shape the United States in 2020 and beyond. Among the key findings:

- The U.S. population is on track to grow at the slowest rate since the 1930s, which could have wide-ranging impacts on the labor supply and the demand for goods and services, including new homes, over the coming years.
- As the U.S. population continues to shift to the South and West, states in those regions are expected to gain congressional seats at the expense of states in the Northeast and Midwest.
- More than half of U.S. counties have experienced net population loss since 2010, with more than 550 counties losing at least 5 percent of their residents.
- The percentage of U.S. residents ages 65 and older is increasing at the fastest pace in U.S. history, with significant implications for public spending on programs for older adults.
- Children are at the forefront of racial/ethnic change in the United States, creating a diversity gap among generations.
- Fewer households are being established, due in part to the growing share of young adults who still live with their parents.
- A growing divide in homeownership rates between whites and blacks is increasing the wealth gap between racial/ethnic groups.

Many of these trends will have immediate implications for public spending, nonprofit planning, and business decision making. Other trends are reshaping the composition of our population and households in ways that will continue to unfold for decades to come. The census is our best—and only—source of accurate population and housing counts for the nation, states, and small geographic areas, enabling communities, government, businesses, and nonprofit organizations to adapt to the challenges ahead.

Population Size and Change

The pace of U.S. population growth is slowing, according to the Census Bureau's 2018 estimates and 2020 projections, which provide a preview of 2020 Census results. The U.S. population has increased each decade since the first census was conducted in 1790, surpassing 50 million by 1880, 100 million by 1920, and 200 million by 1970. The 2010 Census was the first head count in which the U.S. population exceeded 300 million. However, the rate of population growth from one decade to the next has declined since 2000.

The U.S. population increased by 10 percent between 2000 and 2010 and is projected to increase by 8 percent between 2010 and 2020, from 309 million to 333 million. An 8 percent gain would be the smallest percentage increase in the U.S. population between censuses since the 1930s; the projected numerical increase of 24 million people would be the smallest gain since the 1980s. Yet, between 2010 and 2018, the U.S. population only increased by 6 percent. Unless the rate of population growth increases over the next two years, the United States may not reach the Census Bureau's projected population size in 2020.

Growth in the number of households has also slowed, and population growth is on track to outpace household growth this decade for the first time since the 1930s. Between 2000 and 2010, the number of households increased by 11 percent, but household growth rates declined during the Great Recession of 2007 to 2009 and the slow economic recovery that followed. Between 2010 and 2017, the number of households increased by only 3 percent. For the household growth rate to equal the Census Bureau's projected population growth rate of 8 percent, the number of households would have to increase by almost 6 million between 2017 and 2020.

This level of growth seems unlikely given that the number of households only increased by 3.3 million over the seven-year period from 2010 to 2017. If the number of households continues to increase at the current average annual rate until 2020, the total increase for the decade is more likely to be around 4.8 million, representing a growth rate of only 4 percent—less than half the rate for the 2000 to 2010 period. In the long term, slower population and household growth could negatively affect the future U.S. economy by reducing the supply of workers, the tax base, and the demand for goods and services. This slowdown could also reduce demand for new home construction and lead to declines in home values.

Rapid Growth Continues in the South and West

Although U.S. population growth has slowed, the rate of growth has been uneven across regions and states. The most recent estimates show that the South's population grew 9 percent between 2010 and 2018, with the West right behind at 8 percent. Conversely, the population grew just 2 percent in the Midwest and 1 percent in the Northeast. Regional and state population trends are important not only from a demographic and economic perspective, but also because they affect the balance of political power in Congress. State population totals from the 2020 Census will determine how many congressional seats each state will have over the next decade, starting in January 2023 when the 118th Congress takes office.

Reapportioning Congressional House Seats

The Census Bureau's most recent state-level population estimates for 2018 provide a window into the potential redistribution of seats in the U.S. House of Representatives when the 2020 Census numbers are released. Based on these 2018 population estimates, 13 states would see changes in their number of congressional seats. Not surprisingly, southern and western states would gain seats at the expense of states in the Northeast and Midwest.

Arizona, Colorado, Florida, North Carolina, and Oregon would each add one seat, while Texas would pick up two. Seven states would each lose a seat—Illinois, Michigan, Minnesota, New York, Pennsylvania, Rhode Island, and West Virginia.

Assuming the procedure remains unchanged from that in 2000 and 2010, the population totals used for congressional reapportionment will include not only the resident population of each state, but also the number of military and civilian employees of the U.S. government (plus their dependents) who are posted overseas (the Census Bureau is changing the way it counts troops deployed overseas for 2020). The new apportionment will be based on each state's population count as of April 1, 2020; the official counts will remain unknown until the end of that year. However, 2020 projections indicate that reapportionment could affect additional states. For example, Montana could gain a seat while Alabama and Ohio could each lose one. Florida could gain a second seat, Texas could add a third, and New York could lose a second seat.

Even with the expected gains for the South and West, the 2020 apportionment numbers could surprise—as the 2010 numbers ultimately did. For example, apportionment projections based on 2009 population estimates had indicated that Florida would pick up a single seat and Texas would gain three, but each state added one more seat than had been anticipated. In addition, New York ended up losing two seats in 2010 (rather than just one as had been projected) and Missouri lost one. That state's congressional representation had been expected to remain unchanged.

The 2020 Census results will have a lasting impact on the distribution of seats in the House of Representatives, so it is critically important to have an accurate count of the population in each state. An undercount of the population in one state—or an overcount in another—could shift the balance of power in Congress for the next 10 years.

Homeownership

The benefits of owning a home in the United States are well documented. Homes can create wealth for their owners that in turn can benefit families for generations. Homeownership can also reduce economic risk by protecting families from rising rent prices. Owning a home has also been associated with better psychological health and greater stability for homeowners' children. Decennial census data can be used to monitor trends in homeownership and differences across geographic areas. The 2017 American Community Survey data provide a preview of patterns in the 2020 decennial housing data.

At the beginning of the 20th century, the homeownership rate, or the share of owner-occupied households, was 47 percent. That rate dropped to 44 percent in 1940 following the Great Depression, and then increased sharply between 1940 and 1950, from 44 percent to 55 percent. The post-World War II housing boom was fueled by low-interest loans for newly constructed homes, a provision of the G.I. Bill. The homeownership rate reached a peak in 2000 at 66 percent. Since the subprime mortgage crisis of 2007-2010, the rate has slowly declined, dropping to 64 percent by 2017.

Most age groups experienced a decline in homeownership rates after the subprime mortgage crisis, which ended in 2010. Between 2010 and 2017, only adults aged 65 and older experienced an increase (1 percentage point), while the rates dropped for adults ages 20 to 34 and 35 to 64 (3 percentage points each). Historically, young adult householders (ages 20 to 34) have had lower homeownership rates compared with older householders (ages 65 and older), and the gap between these two groups has increased over time—from a 25 percentage-point difference in 1960 to a 44 percentage-point gap in 2017. For adults ages 35 to 64, the homeownership rate has returned to the same level it was nearly six decades ago (67 percent).

Between 1960 and 2017, the young adult homeownership rate dropped 10 percentage points, representing a shift from owning to renting. Although this trend suggests a change in housing preferences, more than two-thirds (67 percent) of renters report that they would buy a home if they had the financial resources to do so. The decline has also been linked to lower rates of marriage and household formation among young adults. The share of young adults ages 18 to 34 living with a spouse dropped from 26 percent in 2010 to 23 percent in 2017. Homeownership rates also differ between urban and rural areas. In 2017, rural areas had a homeownership rate of 81 percent, compared with 60 percent in urban areas. This rural urban gap is consistent across the country's four regions but is widest in the Northeast, where the homeownership rate in rural areas (84 percent) was 26 percentage points higher than the rate in urban areas (58 percent). After each decennial census, the Census Bureau redefines urban and rural areas based on criteria related to population thresholds, density, distance and land use.

2020 Census

The 2020 Census is expected to count nearly a third of a billion people. The Census Bureau is recruiting hundreds of thousands of workers to help with the enumeration, which is projected to be the most expensive in history, at approximately $15.6 billion. Several factors have contributed to the rising cost of the census, including declining survey response rates, growing distrust in government, an increasingly diverse population, a rise in complex households, and a decline in landline telephones that are tied to physical locations.

While the cost of conducting the census has increased, the Census Bureau expects to save money by updating the methods that will be used to enumerate the population in 2020. To start, the 2020 Census is the first designed to be conducted primarily via internet self-response. While paper questionnaires will still be mailed and in-person enumeration will be conducted for those households who do not respond, the Census Bureau expects that most households will submit their 2020 form online.

Second, the Census Bureau is using aerial and street-level imagery to conduct some of their address canvassing—the process used to validate, correct, or delete existing Census Bureau addresses, add missing addresses, and add or correct locations of addresses before a decennial census. In previous address canvassing operations, field representatives needed to visit every street and residential address in the nation.

Third, the Census Bureau is planning to use administrative records to identify whether nonresponding addresses are vacant and help fill in the gaps for occupied households that leave certain questions blank on their census forms. Using administrative records can potentially save money by reducing the need for door-to-door visits to collect missing information. They can also improve the accuracy of the census data by reducing the need for statistical methods to address missing or inconsistent responses.

Decades of research have shown that the decennial census is very accurate, but (like population censuses in other countries) the direct, physical enumeration of the entire U.S. population is imperfect. Part of the challenge is that some people are harder to count than others—including those without a permanent address, who move frequently, have language barriers, or distrust government. Others may be counted more than once, contributing to an overcount. For example, those who own more than one home may submit a census form for each address, and children away at college may be counted at both their college and parental home.

In 2010, the Census Bureau estimated that their net overcount was small (about 36,000 people, or 0.1 percent of the population), but the likelihood of being overcounted or undercounted in the census differed across population subgroups. Both the 2000 and 2010 census tended to undercount renters and overcount homeowners. Young children tend to be undercounted, while older adults tend to be overcounted.

The census is conducted just once every 10 years, but the results of the count will have far-reaching impact. An accurate count ensures equitable distribution of billions in federal tax dollars to meet community needs for a decade, offers a more complete picture of population trends on which to base program planning and business decisions, and contributes to fair representation of the population in government. An inaccurate census count would create challenges for data-based decision making for the next decade.

REVIEW QUESTIONS AND SOLUTIONS

7. Generally, amounts distributed to a taxpayer from his or her traditional IRA are included in gross income; however, the taxpayer may exclude them if the entire amount is rolled over into a qualified IRA no later than the 60th day after the receipt of the distribution. Taxpayers may qualify for an automatic hardship waiver of the 60-day rollover period if ______.
   a. The funds are deposited into an eligible retirement plan within one year from the beginning of the 60-day rollover period
   b. The rollover would have been valid if the financial institution had deposited the funds as instructed
   c. Both A & B

8. Taxpayers may find themselves in a position where they need to determine whether money received is considered taxable income or a non-taxable gift. Which of the following is not a criterion in making this determination?
   a. Were the payments an exchange for services
   b. Were the payments part of a routine, structured program
   c. What was the total value transferred

9. The Reports Consolidation Act of 2000 requires that TIGTA summarize, for inclusion in its annual Department of the Treasury Agency Financial Report, its perspective on the most serious management and performance challenges confronting the Internal Revenue Service. For Fiscal Year 2020, the IRS's top management and performance challenges include which of the following?
   a. Expanding offices to remote locations
   b. Modernizing IRS Operations
   c. Switching to a paperless only agency

10. In April 2019, the IRS issued its Integrated Modernization Business Plan, which consists of ___________________ .
    a. a six-year road map to improve the taxpayer experience by modernizing core tax administration systems, IRS operations, and cyber security
    b. using private collection agencies (PCA) to collect inactive tax receivables that the IRS previously could not collect
    c. allowing its employees to access work resources using their personal mobile devices

11. Tax year 2019 ushers in higher standard deductions for taxpayers resulting from inflation index increases. The current deduction in 2019 for single taxpayers is ___________ .
    a. $12,200
    b. $12,000
    c. $18,350

12. The use of independent digital systems to record, share, and synchronize transactions is commonly known as __________ .
    a. A hard fork
    b. Cryptocurrency
    c. Distributed ledger technology

Solutions

7. **[a] Incorrect,** This response is only partially correct. Additionally, the rollover would have been valid if the financial institution had deposited the funds as instructed.
   [b] Incorrect, This response is only partially correct. Additionally, the funds are to be deposited into an eligible retirement plan within one year from the beginning of the 60-day rollover period.
   [c] Correct, This automatic hardship waiver can be found in Rev. Proc. 2003-16, Section 3.03.

8. **[a] Incorrect,** Auditors may use the "bank deposit method" in an audit to reconstruct taxable income.
   [b] Incorrect, In its recent opinion, Brown, T.C. Memo. 2019-69, the Tax Court considered whether amounts a clergyman and his wife had received were deemed nontaxable gifts, or whether they crossed the line to taxable

income.
[c] Correct, The underlying nature of the transaction, not the dollar amount, determines whether the transaction is deemed taxable income versus a non-taxable gift.

9. **[a] Incorrect,** Additional challenges listed in the report include protecting taxpayer rights and achieving operational efficiencies.
[b] Correct, The Treasury Inspector General for Tax Administration (TIGTA) is an office in the United States Federal government. It was established in January 1999 in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) to provide independent oversight of Internal Revenue Service activities.
[c] Incorrect, With over 140 million individual taxpayers in the US, implementing such a system would be a daunting task.

10. **[a] Correct,** According to TIGTA, the successful modernization of systems and the development and implementation of new information technology applications are critical to meeting the IRS's evolving business needs and enhancing services provided to taxpayers.
[b] Incorrect, As of September 2018, the IRS had assigned more than 700,000 taxpayer accounts to private collectors.
[c] Incorrect, TIGTA reported significant vulnerabilities within the IRS Bring Your Own Device (BYOD) program which allows its employees to access work resources using their personal mobile devices.

11. **[a] Correct,** this represents a $200 increase from 2018.
[b] Incorrect, this amount relates to tax year 2018 for single taxpayers.
[c] Incorrect, this amount is the standard deduction for head of household taxpayers.

12. **[a] Incorrect,** A hard fork occurs when a cryptocurrency on a distributed ledger undergoes a protocol change resulting in a permanent diversion from the legacy or existing distributed ledger.
[b] Incorrect, Cryptocurrency is a type of virtual currency that utilizes cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.
[c] Correct, the details of these transactions are recorded in multiple places at the same time with no central data store or administration functionality.

CPElite. is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org. CPElite is registered with the IRS as an approved CE provider. This registration does not constitute an endorsement by the IRS as to the quality of our CPE programs.

INDEX

******* EXAM QUESTIONS *******

*Place your answers to the following 20 Multiple Choice Questions on the enclosed answer sheet (**page 21**).*

ON-LINE TESTERS GO TO CPELITE.COM

1. IR 2019-165 details a new payment option in connection with the existing private debt collection program designed for those taxpayers who owe back taxes. This new payment option includes a direct debit feature and, with taxpayer permission, allows ____________ to authorize a payment on the taxpayer's behalf.
   a) Tax Practitioners
   b) The US Treasury
   c) Private Collection Agencies
   d) Power of Attorneys

2. Which of the following is not true in connection with the IRS Private Debt Collection Program?
   a) The IRS will not assign accounts to private collection agencies involving taxpayers who are in designated combat zones.
   b) The new direct debit payment option can be changed or canceled with five-day notice prior to the schedule payment.
   c) Private Collection Agencies will not ask for payment towards back taxes by asking taxpayers to make payment on a prepaid debit card.
   d) Taxpayer authentication numbers are used instead of social security numbers to verify the identity of taxpayers.

3. The concept of ___________ is based on the idea that access to sensitive information should be restricted based upon whether certain users require that information or knowledge to execute their intended job functions.
   a) least privilege
   b) security hierarchy
   c) functional access
   d) phishing

4. Strong computer passwords are basic, yet paramount, in controlling how internal system users are authenticated and allowed to access a firm's systems. The __________critical an application is to one's organization, the _____ robust the authentication requirements should be.
   a) less, less
   b) less, more
   c) more, less
   d) more, more

5. The gross tax gap is the difference between true tax liability for a given period and the amount of tax that is paid on time. The most recent estimates compiled concerning this statistic indicate that the nation's compliance rate _________.
   a) Is increasing at a moderate pace
   b) Is increasing at a rapid pace
   c) Is decreasing at a moderate pace
   d) Remains substantially unchanged from prior years

6. Which of the following factors, according to the IRS, significantly increases taxpayer compliance?
   a) Tax withholdings on income payments.
   b) Routine notices of deficiencies mailed to taxpayers.
   c) Increase in desk audits.
   d) None of the above.

7. In connection with tax-exempt organizations _____________ spells out penalty relief provisions for certain tax-exempt organizations that relied on existing 2018 guidance.
   a) Rev. Proc 2018-38
   b) REG 102508-16
   c) Notice 2019-47
   d) Rev. Proc 2011-15

8. Revenue Procedure 2019-38 provides a safe harbor for 199A in connection with ___________ .

a) interest in real estate treatment as a trade or business
b) specified service trade or business election
c) exclusions for wage employees
d) foreign entities

9. Which of the following is not a true requirement that taxpayers (or relevant pass through entities) must meet in order to qualify for the safe harbor provision under Rev. Proc 2019-38?
   a) Separate books and records are maintained to reflect income and expenses for each rental real estate enterprise.
   b) For rental real estate enterprises that have been in existence less than four years, 500 or more hours of rental services are performed per year.
   c) The taxpayer maintains contemporaneous records, including time reports, logs, or similar documents.
   d) The taxpayer or RPE attaches a statement to the return filed for the tax year(s) the safe harbor is relied upon.

10. Amounts distributed to a taxpayer from his or her traditional IRA are ____________; however, the taxpayer may exclude them if the entire amount is rolled over into a ___________ no later than the 60th day after the receipt of the distribution.
   a) Tax deferred, decedent's IRA
   b) Tax deferred, qualified IRA
   c) Includible in gross income, stretch IRA
   d) Includible in gross income, qualified IRA

11. A taxpayer who fails to meet the 60-day deadline in connection with an IRA rollover may qualify for a ________ waiver. This typically occurs where the IRS can grant that waiver "where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement."
   a) due cause
   b) hardship
   c) process
   d) clemency

12. The court in Brown T.C. Memo. 2019-69 addressed which of the following principal issues?
   a) Taxation of spouses involving questions of whether they lived in a community property state.
   b) Fraud committed by a tax professional.
   c) The taxability of gifts received.
   d) Like-kind exchanges and boot consideration.

13. In the tax court case involving Mikel and Debra Brown, the tax court found that the taxpayers were not liable in select years for accuracy related penalties in connection with their tax deficiency. Which of the following circumstances would aid a taxpayer's argument to waive Sec. 6662(a) accuracy-related penalties imposed by the IRS?
   a) A taxpayer acting with reasonable cause and good faith in relying on the tax preparer.
   b) A taxpayer waiving their rights to representation.
   c) A taxpayer using a third-party tax preparer to shield themselves from "preparer liability".
   d) A taxpayer filing a duly executed offer in compromise.

14. Each year, TIGTA evaluates IRS programs, operations, and management functions to identify the areas of highest vulnerability to the Nation's tax system. Which of the following items is deemed to be the highest priority as expressed in the fiscal year 2020 report?
   a) Impact of Global Economies.
   b) Achieving Operational Efficiencies.
   c) Security Over Taxpayer Data and Protection of IRS Resources.
   d) Modernizing IRS Operations.

15. Vulnerabilities reported by TIGTA in connection with the ___________ program centered on the exploitable nature of allowing employees to access work resources using their personal mobile devices.
   a) Bring Your Own Device (BYOD)
   b) eAuthentication
   c) Third Party Network (TPN)

d) Private Debt Collection (PDC)

16. According to studies based on the IRS National Research Program, __________ have shown increases in underreporting of taxable income, partly resulting from an increase in the “gig” economy?
    a) C Corporations
    b) S Corporations
    c) Wage Employees
    d) Sole Proprietors

17. The TCJA included changes to the deductible medical threshold. Starting in 2019, the threshold returns to ______.
    a) 7.5% of AGI
    b) 10% of AGI
    c) 7.5% of taxable income
    d) 10% of taxable income

18. Which of the following is true with respect to changes impacting tax year 2019?
    a) In general, the elimination of the alimony deduction took effect in tax year 2019.
    b) HSA contribution limits have increased since 2018.
    c) Taxpayers who do not have health insurance in 2019 will not owe the individual mandate penalty.
    d) All of the above.

19. The means of distributing units of a cryptocurrency to the distributed ledger addresses of multiple taxpayers is known as a(n) __________________ .
    a) Airdrop
    b) Hard fork
    c) Soft fork
    d) Protocol change

20. Practitioners completing 2019 Federal tax returns for their clients may encounter the following question: “At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?”. This new question appears (based on the recent IRS draft relief of forms) on _________ .
    a) Form 1040
    b) Schedule 1
    c) Schedule 2
    d) Schedule 3

ON-LINE TESTERS: GO TO WWW.CPELITE.COM/ONLINE-TESTING/

EXAM INSTRUCTIONS AND ANSWER SHEET – WINTER 2019, VOLUME XXVIIII, NUMBER 4, TAXATION

There are 20 EXAM questions which are on pages 18-20 of the newsletter. Choose the best answer based on the limited facts of each question and record your answer below. Indicate your responses in the newsletter for your personal records and **complete the "Newsletter Evaluation" below.**

You must score 70% to receive continuing professional education credit for the newsletter. After you successfully complete the exam, your exam results, and a certificate of completion will be emailed to you within 10 working days of our receipt of your answer sheet. If a score of less than 70% is achieved, you may retake the exam without additional cost. This newsletter must be completed no later than November 15th, 2020. We appreciate your business and hope that you are satisfied with the newsletter.

ANSWER SHEET
4 HOURS OF CPE: FEDERAL TAX LAW UPDATE
DELIVERY METHOD – QAS SELF STUDY

Please record your answers below to the exam questions. **For non-online customers, please send your answer sheet by mail, fax, or email. CPElite, P O Box 571, Chapin, SC, 29036, Fax 1-877-796-0471, support@cpelite.com.** FOR NONSUBSCRIBERS, please be sure to include your check for $40 payable to CPElite or supply the credit card information on Page 22.

1. ________	5. ________	9. ________	13. ________	17. ________
2. ________	6. ________	10. ________	14. ________	18. ________
3. ________	7. ________	11. ________	15. ________	19. ________
4. ________	8. ________	12. ________	16. ________	20. ________

COMPLETE FOR NEWSLETTER CREDIT

NAME ______________________________

ADDRESS ______________________________

E-MAIL ADDRESS ______________________ **PHONE NUMBER** ______________

(*Note: We do not share or sell email addresses*)

PRE-PAID SUBSCRIPTION # (Not Applicable to First-Time Subscribers) ______________

SIGNATURE ______________________ **COMPLETION DATE** ______________

PURPOSE OF CPE ______________________ **PTIN (if applicable)** ______________

(Indicate whether credit is for Enrolled Agent, CPA, or other purpose. For CPAs and licensed accountants, please indicate the state where you are licensed. If you have a PTIN, please provide it for IRS reporting purposes).

NEWSLETTER EVALUATION
(*Answer Yes, No, or N/A)*

1. After completing this CPE program, did you feel that the stated learning objectives were met? __________
2. Were the stated prerequisite requirements appropriate and sufficient for this CPE program? __________
3. Were the program materials, including the qualified assessment (final exam) relevant and did they contribute to the achievement of the learning objectives? __________
4. Was the time allotted for this learning activity appropriate? __________
5. Additional Comments? __________

2020 Purchase Options

- All courses (including Ethics course) will be delivered electronically (pdf) only
- A shipping / handling charge will be added for mailed Elite Quarterly Newsletters
- Please note that you must include payment for S/H to continue to receive the Newsletters by mail, otherwise you will receive a pdf file.
- All manually submitted quizzes will receive certificates of completion by email
- We will require an email address on file for you

Option 1 - ***2020 Unlimited CPE Online Only Package*** – up to 66 hours of CPE - $175 ($160 if paid by 2/29/20)
Courses by PDF format, with quizzes **online only.** Includes four quarterly 4-hour issues of *The Elite Quarterly – Taxation* (plus 2-hour Ethics **PDF** course for enrolled agents) and up to an additional 48 hours of ***courses in PDF format.*** The 2020 courses must be completed by December 31, 2020, under this option.

Option 2 – **2020 EA Package** - 24 hours of CPE – $155 ($140 if paid by 2/29/20) - This satisfies the average annual continuing education requirement for Enrolled Agents. Includes four quarterly 4-hour issues of *The Elite Quarterly – Taxation* (plus 2-hour Ethics **PDF** course for enrolled agents) and **one PDF** course bundle. **Make course selection below.

Option 3 – ***2020 Annual Subscription to The Elite Quarterly*** – 18 hours of CPE - $135 ($120 if paid by 2/29/20) - Includes four quarterly 4-hour issues of *The Elite Quarterly – Taxation* plus 2-hour Ethics **PDF** course for enrolled agents.

Option 4 – ***Single Quarterly newsletter*** - 4 hours of CPE credit - $40.

CHOOSE YOUR OPTION -- Described Above

***Option 1* - 2020 Unlimited CPE Online Package:** **Enter $175 ($160 if paid by 2/29/20)**	$______________
Request mail delivery of four Elite Quarterly Newsletters: **Enter $40**	$______________
***Option 2* - 2020 EA Package:** **Enter $155 ($140 if paid by 2/29/20)**	$______________
Request mail delivery of four Elite Quarterly Newsletters: **Enter $40**	$______________

Courses in PDF format only – Select one

[ ] Bundle [1] Affordable Care Act - Employer Mandate - 3 hrs & Earned Income Tax Credit - 3 hrs

[ ] Bundle [2] 2020/2019 Easy Update & Inflation Adjustments - 6 hrs

[ ] Bundle [3] *Corporate Taxation - 2 hrs* , Partnership Taxation - 2 hrs, & S Corporations - 3 hrs*

*FREE BONUS HOUR INCLUDED

Option 3 –2020 Annual Subscription to The Elite Quarterly: **Enter $135 ($120 if paid by 2/29/20)**	$______________
Request mail delivery of four Elite Quarterly Newsletters: **Enter $40**	$______________
Option 4* - Single Quarterly newsletter*: Enter $40	$______________
Request mail delivery of one Elite Quarterly Newsletter: **Enter $10**	$______________

AMOUNT DUE: Total (Payable by Check to CPElite or VISA, MC, DISCOVER, AMEX below) **$______________**

PLACE ORDER one of 4 ways – *At our website* www.cpelite.com (first-time online customers – Click 'Order Now' Tab)

Online customers – login to your account, or by email support@cpelite.com, *by Phone* 877-580-7169 *or fax* 877-796-0471.

For mail and fax orders, please complete the credit card information below -

Visa [ ] Mastercard [ ] Discover [ ] Amex [ ] (check one)

Credit Card #______________________________Expiration Date ____________________

Name______________________________Signature______________________________

Phone________________Address____

To order by mail - **CPElite** Address to P.O. Box 571, Chapin, SC 29036. **To order by phone or fax** using your Discover, Mastercard, or VISA, or AMEX call 877-580-7169 or fax 877-796-0471. Please have your credit card information available. **To order on the internet** visit our web site at www.cpelite.com, registered users - login, first time users - click the 'Order Now' Tab. We appreciate your business!

CPElite Newsletter & Courses

Each hour of credit specified below is based on a 50-minute hour per CPE hour. There are no prerequisites nor is advanced preparation required for our courses. All course materials are available on www.cpelite.com.

***THE ELITE QUARTERLY* NEWSLETTER –** 4 CPE Credit – [Update]

Quarterly Newsletters devoted to raise practitioner awareness concerning recent tax developments in legislation, the IRS, judicial decisions, and the Treasury.

ENROLLED AGENT ETHICAL STANDARDS – 2 CPE Credit – [Basic]

This course will examine the principal rules, duties and restrictions applicable to enrolled agents in their professional activities. Course learning objectives focus on instructing enrolled agents and other professionals to understand their ethical responsibilities in representing their clients before the IRS and in preparing tax returns in accordance with Circular 230.

BUNDLE [1]

AFFORDABLE CARE ACT – EMPLOYER RIGHTS AND RESPONSIBILITIES - 3 CPE Credit – [Overview]

The Patient Protection and Affordable Care Act (PPACA) has brought about the most significant change in healthcare since the passage of the 1965 legislation that authorized Medicare. It imposes healthcare-related requirements on health plans, health insurers, employers and individuals. This course will review the principal coverage provisions of the law and will examine its tax impact on employers.

EARNED INCOME CREDIT - 3 CPE Credit – [Overview]

Upon completion of this course, practitioners will be able to apply the earned income credit rules to determine if a taxpayer is eligible for the tax credit; identify the common errors committed in connection with the earned income credit; describe the consequences of the IRS' disallowance of the earned income credit; and recognize the tax return preparer's EIC due diligence requirements.

BUNDLE [2]

2020/2019 EASY UPDATE & INFLATION ADJUSTMENTS - 6 CPE Credit – [Overview]

This course examines key individual, business, retirement, and estate tax provisions recently enacted or indexed for inflation. The emphasis is on quick access to major tax changes having special meaning to the tax practitioner and return preparer.

BUNDLE [3]

CORPORATE TAXATION OVERVIEW - 2 CPE Credit – [Overview]

This course examines and explains the basics of corporate taxation. The focus is on regular or C corporations, their formation, and operation under tax law.

PARTNERSHIP TAXATION OVERVIEW- 2 CPE Credit – [Overview]

This course will examine tax issues relating to the formation and operation of partnerships. Participants will gain a familiarity with basic areas of partnership taxation so as to recognize a problem and have at hand some practical knowledge for its solution.

S CORPORATIONS OVERVIEW - 3 CPE Credit – [Overview]

In this course, the intricacies of setting up and terminating an S corporation are detailed and taxation is discussed. The numerous advantages and disadvantages of this entity are identified to help practitioners determine whether the S corporation is most suitable for their clients

THE ELITE QUARTERLY NEWSLETTER
Published by CPElite
P.O. Box 571, Chapin, SC 29036
www.cpelite.com
t 877-580-7169
f 877-796-0471

***** 4 HOURS OF SELF-STUDY CPE CREDIT INSIDE *****

The leader in "continuing professional education newsletters" for tax professionals

NATIONAL REGISTRY OF CPE SPONSORS

QAS QUALITY ASSURANCE SERVICE

IRS-APPROVED CONTINUING EDUCATION PROVIDER

CPElite. is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org

CPElite is registered with the IRS as an approved CE provider. This registration does not constitute an endorsement by the IRS as to the quality of our CPE programs.

CPElite In a Class By Yourself.