



## GSCPA ANNUAL CONVENTION 2008 TAX UPDATE

JUNE 23, 2008  
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### THIS SESSION'S OBJECTIVES

- Overview Preparer Penalties New Standard
- Overview Significant Georgia Tax Changes
- My Practitioner's Watch List of Top 2008 Issues
- Make your Tee Time

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## PREPARER PENALTIES — NEW STATUTORY STANDARD

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## PREPARER PENALTIES – NEW STATUTORY STANDARD

### Background

IRC §§6694, 6695, 6695A, 7701 amended May 25, 2007 by The Small Business and Work Opportunity Act of 2007.

First comprehensive overhaul of preparer standards since 1976, 1989.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

### Background

- Statute amended to:
  1. Apply standards to all federal tax returns (previously just income tax returns);
  2. Increased the amount of penalties (now a function of compensation/fees);
  3. Raise the tier-one standard for the avoidance of penalties.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

### New Standard

- For **undisclosed positions**, standard raised from “realistic possibility of success” to “reasonable belief that the position would more likely than not be sustained on its own merits”.
- For **disclosed positions**, standard raised from “not frivolous” to “reasonable basis”.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

### New Standard

- The Act did **not** change:
  1. The tier-two standard regarding willful or reckless conduct (but did change penalties);
  2. The reasonable cause, acting in good faith exception to the penalties.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

- Problems with new law:
  1. Potential for conflict of interest between preparer and taxpayer (particularly with disclosures and taxpayer representation).
  2. Difficulty in meeting MLTN with complexities in law and fact, lack of authorities, and potential for unwillingness of clients to pay for additional research and analysis.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

- Problems with new law:
  3. Uncertainty in transition rules and definition of preparer.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

### Lexicon

**Realistic Possibility:** “good faith belief that the position has a realistic possibility of being sustained on its merits if challenged” (SSTS No.1, former §6694(a)).

**Reasonable Basis:** “a position higher than not frivolous or not patently improper and based on one or more authorities set forth” (Treas. Reg. §1.6662-3(b)(3)).



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

### Lexicon

**Substantial Authority:** “the weight of authorities supporting the treatment is substantial in relation to weight of authorities supporting contrary treatment...the standard is less stringent than MLTN but more stringent than reasonable basis” (Treas. Reg. §1.6662-4(d)).

*Webster's defines substantial as "important, essential, considerable, and significantly large".*



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

- On June 11, 2007 IRS Notice 2007-54 gave transitional relief for certain returns filed on or before January 31, 2008. The notice left standards at pre-May 25th levels for income tax returns, and established reasonable basis standards for all other returns.
- On December 31, 2007 Notices 2008-11, 12, and 13 provided interim penalty compliance rules. These notices apply until further guidance issued.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD  
NOTICE 2008-13**

- Preparer deemed to satisfy the §6694 requirements with respect to a position with a "reasonable basis," but for which the preparer does not have a reasonable belief that the position would MLTN be sustained on its merits, provided that **ANY** one of the following requirements are met:
  - ✓ The position is disclosed on F 8275 or 8275R
  - ✓ Preparer provides return with F 8275 or 8275R



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD  
NOTICE 2008-13**

- ✓ The position meets substantial authority standard and preparer advises the taxpayer about the differences in the penalty standards for taxpayer and preparer, and documents such discussion in preparer's files.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD  
NOTICE 2008-13**

- ✓ If the position is a tax shelter described in §6662(d)(2)(C) and as such the §6662 penalty may not be avoided by disclosure, the preparer must advise the taxpayer about the differences in standards and document such discussion contemporaneously.

*Similar standards including contemporaneous documentation required for non-signing preparers (12 examples cited).*



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

- The AICPA and IRS have balked at providing pro forma language for engagement letters or memo's to file pursuant to these notices.
- "I must inform you that \_\_\_\_\_ with respect to tax position(s)\_\_\_\_, additions to tax under § 6662 would apply ..... unless appropriately disclosed ....."



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- Objective standard based on analysis of law and facts.
- Taxpayer's belief not relevant.
- Standard between more-likely-than-not (50%) and reasonable basis.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- Weight of authorities supporting treatment must be substantial in relation to weight of authorities supporting contrary position.
- Evaluation of authorities based on type, relevance, persuasiveness, age, and analysis within authority.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- SA may exist for more than one position.
- SA can be a well reasoned construction of statute, absent other authority.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- **Recognized Authorities:**
  - ✓ US Constitution
  - ✓ Congressional intent reflected in committee reports, conference reports, floor statements
  - ✓ IRC and other statutes



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- **Recognized Authorities:**
  - ✓ Proposed, temporary, and final regulations
  - ✓ Revenue Rulings, Procedures
  - ✓ Tax Treaties, treaty protocols, treaty explanations
  - ✓ Court cases



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- **Recognized Authorities:**
  - ✓ Private letter rulings and technical advice memoranda after October 31, 1976
  - ✓ Action on decisions, general counsel memoranda after March 12, 1981



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- **Recognized Authorities:**
  - ✓ IRS information and press releases
  - ✓ Notices, announcements, other publications published in Internal Revenue Bulletins
  - ✓ Email response from Tax Section listserv NOT authority.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- **Weighing Authority :**
  - ✓ Tax Court decision overturned by court of appeals to which taxpayer can not appeal is still authority for that taxpayer.
  - ✓ Private letter ruling or determination letter issued to taxpayer is substantial authority.



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**Substantial Authority Overview**

**§6662 - Substantial Authority**

- **Weighing Authority :**
  - ✓ The relevance (similarity of facts) is a factor.
  - ✓ The persuasiveness (cogent development of law and analysis) is a factor.

[Treas. Reg. §1.6662-4(d)]



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**The Reasonable Cause Exception**

- **§6694 penalty not imposed where understatement attributable to reasonable cause and good faith. Exception follows similar principles of §6664(b).**
- **Factors demonstrating cause:**
  - ✓ Complex, uncommon, highly technical issue;
  - ✓ Isolated error;



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**PREPARER PENALTIES – NEW  
STATUTORY STANDARD**

**The Reasonable Cause Exception**

- **Factors demonstrating cause:**
  - ✓ Materiality of error;
  - ✓ *Practitioner had "office system (controls) to promote accuracy and consistency";*
  - ✓ Good faith reliance on another qualified professional.



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## PREPARER PENALTIES – NEW STATUTORY STANDARD

On May 21, 2008, the House passed the Renewable Energy and Job Creation Act of 2008 (HR 6049, formerly HR 4318) to equalize tax preparer and taxpayer tax return reporting standards.

Kudos to Rep. Charles Rangel (D, NY), Ways and Means Comm. Chm.



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## PREPARER PENALTIES – PROPOSED REGULATIONS

- Proposed regulations §§1.6694-1, 2, 3, 4; and §305.7701-15 issued June 16, 2008.
- Generally follow Notice 2008-13 and expect to be finalized by December 31, 2008.
- Preamble:
  - ✓ First of comprehensive reform.
  - ✓ Treasury intent to modify per se referral to Treasury's OPR (Circular 230).



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## PREPARER PENALTIES – PROPOSED REGULATIONS

### Notables

- Individual sanctions levied on greater of \$1,000 or 50% of *individual's compensation allocable to the preparation engagement*.
- "One preparer per firm" changed to "one preparer per position".
- When unclear, sanctions levied on non-signer with overall supervisory responsibility for position.



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**PREPARER PENALTIES –  
PROPOSED REGULATIONS**

**Notables**

- *Preparer's firm* subject to penalty where firm's review procedures disregarded through willful, reckless or gross indifference.
- Amount of overall penalties not to be stacked.
- Reliance allowed on information provided by taxpayer, another advisor, or another preparer without verification and in good faith.



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**PREPARER PENALTIES –  
PROPOSED REGULATIONS**

**Notables**

- Determination of "reasonable belief" that MLTN met will consider :
  - ✓ Preparer's documentation of due diligence.
  - ✓ Preparer's experience in area of law and taxpayers' affairs, and
  - ✓ Complexity.



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**PREPARER PENALTIES –  
PROPOSED REGULATIONS**

**Disclosure Adequate**

- F 8275, 8275-R or disclosures pursuant to annual revenue procedure are filed.
- For positions not meeting substantial authority, return provided to taxpayer must have adequate disclosure.



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## PREPARER PENALTIES – PROPOSED REGULATIONS

### Disclosure Adequate

- For positions meeting substantial authority, preparer advises taxpayer of disclosure requirements under §6662 and contemporaneously documents such advice in his files.
- For positions involving tax shelters and reportable transactions, preparer must similarly advise taxpayer of higher standards and document such.



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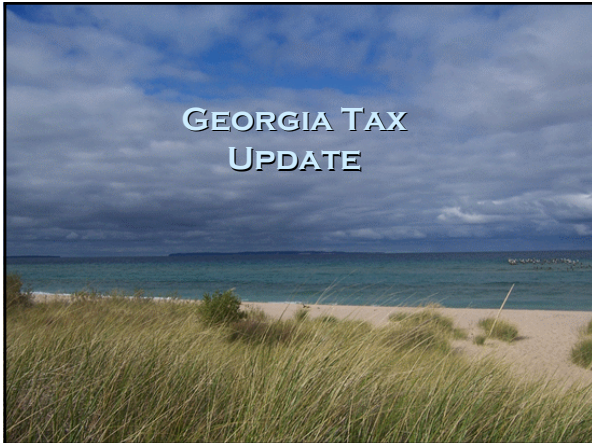
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## GEORGIA TAX UPDATE



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## GEORGIA TAX UPDATE

### Apportionment – 2005 Legislation now in full force

- Beginning in 2008, gross receipts are 100% of the Georgia apportionment factor, and payroll and property are given zero weighting.
- Georgia based corporations with most or all payroll and property in Georgia and most or all sales made to customers outside of Georgia could see their Georgia tax rates drop by 2/3 compared to 2006.



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## GEORGIA TAX UPDATE

### Apportionment

- Georgia based service corporations and those whose income is not principally derived from tangible personal property will continue to source their gross receipts on a market benefit versus cost of performance basis (GA. Comp. R. & Reg. §560-7-7-.03(5)(c)(ii)).



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## GEORGIA TAX UPDATE

### Apportionment

- The right to apportion is a factual determination based on corporation's multi-state activities - it may become an "all or nothing" event under increased DOR scrutiny.
- Georgia regulations allow for apportionment when a corporation's business income is derived in part from property owned or business done within and without the state.



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## GEORGIA TAX UPDATE

### Apportionment

- Georgia authority does not define "doing business" in another state, and taxpayers are left with an uneasy "reverse-look" analogy:
  1. Analyze the definition of doing business within Georgia, and then
  2. Apply that standard to its own out-of-state activities.



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## GEORGIA TAX UPDATE

### Apportionment

A corporation is considered **doing business** in Georgia if it engages in any activities or consummates transactions within the state which result in financial profit or gain.

A corporation is considered **engaged in activity** in the state whose agent, salesman, or other representative engage in solicitation, demonstration, taking of orders, collection or any other activity for the purpose of financial gain or profit (GA. Comp. R. & Reg. 560-7-7-.03(1)).



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## GEORGIA TAX UPDATE

### Apportionment – Where are we now?

- “Doing business” seems to have a relatively low threshold.
- Setting aside P.L. 86-272, Georgia has retained a physical versus economic nexus standard.



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## GEORGIA TAX UPDATE

### Apportionment – Where are we now?

- **Habersham Mills (John A. Backmon v. Habesham Mill, Inc., 233 Ga 501, 212 SE 2nd 337, 01/28/1975)** is single case deciding right to apportion involving out-of-state independent contractors.
- **Safest route: plan for filing in one other state, document multi-state activities.**



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## GEORGIA TAX UPDATE

2008 Georgia Legislation Highlights – HB 926

- The annual conformity statute was not signed into law until April 9, 2008.
- As such, amended returns may be available for early Georgia filers to adjust: §179 limitation from \$112,000 to \$125,000; pick up exclusion of income from forgiveness of qualified mortgage indebtedness, deduction for PMI, and take §121 2-year exclusion for a surviving spouse home sale.



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## GEORGIA TAX UPDATE

2008 Georgia Legislation Highlights – HB 1151

- The GSCPA sponsored tax bill was signed into law May 14, 2008.
- HB 1151 is principally a technical correction and simplification bill to ease tax administration for DOR and practitioners. All provisions are effective for tax years beginning on or after January 1, 2008.



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## GEORGIA TAX UPDATE

2008 Georgia Legislation Highlights – HB 1151

1. **Tax Exempts:** Eliminates duplication of application to obtain tax exempt status. GA F 3605 is no longer necessary when an IRS determination letter is received or F 1023 is filed with IRS.
2. **S Corporations:** Eliminates annual consent requirement for S corporations having nonresident shareholders. Filing only required for year nonresident first becomes a shareholder. For 2008, all consents to be filed one last time.



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## GEORGIA TAX UPDATE

2008 Georgia Legislation Highlights – HB 1151

- E-filing:** For non-individual taxpayers, GA conforms to all Federal e-filing requirements (large partnerships next up!).
- Drivers Education course credit:** credit allowed without attaching proof to return so long as documentation is maintained by taxpayer.



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## GEORGIA TAX UPDATE

2008 Georgia Legislation Highlights – HB 1151

- Withholding on lump-sum qualified plans:** Taxpayers may elect to have GA withholding on lump sum distributions; previously only periodic payments eligible for tax withholding.
- Nonresident members in pass-through entities:** Changes to timing, penalties and requirements for 4% tax withholding.



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## GEORGIA TAX UPDATE

2008 Georgia Legislation Highlights – HB 1151

- Changes to calculation of disallowed interest expense** in the case of corporations with U.S. government interest income: ratio of basis of U.S. government assets to total assets no longer in statute. (This section was a "tag on" to our bill).



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## GEORGIA TAX UPDATE

### Changes to Nonresident Tax Withholding – HB 1151

- ✓ Penalty for failure to withhold reduced from 100% to 25% of tax not withheld.
- ✓ Definition of distributions paid or credited clarified and changed. *Distribution credited* includes net distributive share of income passed through to members and subject to tax. *Distribution paid* means disbursement of funds which may be subject to tax.



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## GEORGIA TAX UPDATE

### Changes to Nonresident Tax Withholding – HB 1151

- ✓ Timing of withholding on distributions paid remains the same: 30th day following month in which distribution is paid.
- ✓ Timing of withholding on distributions credited but not paid changed to due date of entity's tax return without extensions (March 15<sup>th</sup>/April 15<sup>th</sup>) - will allow time to determine which members are nonresidents and calculate distributive share allocable to each.



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## GEORGIA TAX UPDATE

### Other Georgia Notables – HB 1196

Provides for a nonrefundable credit equal to 25% of taxpayer's cash investment into a qualified research fund.

- ✓ Such fund is one established to provide early stage financing to businesses formed as a result of IP developed at a research university within Georgia.
- ✓ Research fund caps at \$30M.



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## GEORGIA TAX UPDATE

Other Georgia Notables – HB 1274

- ✓ Modifies credit for donation of real property for conservation purposes (lesser of 25% FMV or \$500K).
- ✓ Defines credit limits for partners in partnerships (\$1M overall limit for all partners);
- ✓ Requires qualified appraisal; and
- ✓ Establishes penalties for substantial valuation misstatements.



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## GEORGIA TAX UPDATE

Other Georgia Notables – HB 237 – Sales and use tax

Broadens the long-standing sales and use tax exemption for purchases of manufacturing machinery.

- ✓ Effective January 1, 2009.
- ✓ Previously, the exemption applied to sale of new or replacement machinery “used directly in the manufacture of TPP”.



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## GEORGIA TAX UPDATE

Other Georgia Notables- HB 237

- ✓ Now it exempts machinery and equipment which is “necessary and integral to the manufacture of TPP”.
- ✓ Likewise, repair and replacement parts used in machinery that is necessary and integral to manufacturing are exempt (molds and dies).
- ✓ Off-line processing, testing, packaging and high-tech to benefit.



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## GEORGIA TAX UPDATE

**HB 851** - Increases tax credits for historical and certified structures to 25% of qualified expenditures.

**HB 670** - Establishes clean energy property credit for businesses and residences.

- ✓ Establishes wood residuals hauling credit based on tonnage certified by GA Forestry Comm.
- ✓ \$2.5M overall cap and property specific dollar limits apply.



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## GEORGIA TAX UPDATE – HB 1133

- ✓ Defines qualified Student Scholarship Organizations as §501(c)(3) nonprofits where 90% of revenue used for first time private school scholarships.
- ✓ Strict Department of Education requirements apply.
- ✓ \$50M statewide cap per year – first-come, first-served.
- ✓ \$1-for-\$1 credit up to \$1,000 single, \$2,500 MFJ donors with pre-approval by DOR.
- ✓ Proposed regulations requires GA AGI add back.
- ✓ Credit up to 75% of tax liability in case of C corps.
- ✓ Effective July 1, 2008.



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## GEORGIA TAX UPDATE

**HB 1100** - Additional base investment credit to film producers with Georgia tag line promotion.

**HB 1159** - New \$2,000 credit for foster child adoption.

**HB 1246** - Broadcasting added to list of qualifying enterprises eligible for jobs tax credits.

**HB 1273** - Defines pervasive poverty areas eligible for relaxed jobs tax credits.

- Only 2 added jobs vs. 5 or 10 required for eligibility.



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## GEORGIA TAX UPDATE

**SB 169** - Establishes state sponsored student loan fund.

- Allows for voluntary payments or redirect of tax refunds.

**HB 1014** - Provides deduction for Section 529 contributions up to \$2,000 per beneficiary (prior law, \$2,000 per return).



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## GEORGIA TAX UPDATE – HB 977

- ✓ Deduction for 100% premium paid for high deductible health insurance pursuant to HSA plan.
- ✓ Can not also take federal deduction or be reimbursed under FSA.
- ✓ Tax credit to employer (50 or less employees) up to \$250 per employee remaining in HSA plan two calendar years.
- ✓ Effective 2009.



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## GEORGIA TAX UPDATE

What didn't make it? .....  
a la Richardson, Cagle, and Purdue

- ✓ GREAT tax plan – in all forms and versions
- ✓ Governor's expansion of retirement income exclusion
- ✓ Creditable fee on wire transfer of funds out of the U.S.
- ✓ GA Tax Court and preparer penalties.



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## GEORGIA TAX UPDATE

On the Horizon 2009

- ✓ Georgia Tax Court
- ✓ Preparer Penalties
- ✓ Composite Returns - Regulation Project
- ✓ Substantial Reform?



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

Full Employment Legislation

- The Heroes Earnings Assistance and Relief Act ("Military Tax Bill")
- The Food, Conservation and Energy Act of 2008 and Hartland, Habitat, Harvest and Horticultural Act of 2008 ("Farm Act")
- Economic Stimulus Act of 2008, signed February 13, 2008.
- The Tax Increase Prevention Act of 2007 (aka AMT Patch), signed December 26, 2007.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Full Employment Legislation

- **The Mortgage Forgiveness Debt Relief Act of 2007, signed December 20, 2007**
- **The Energy Independence and Security Act of 2007, signed December 19, 2007.**
- **Technical Corrections Act of 2007, signed December 29, 2007.**
- **Virginia Tech Victims Act, signed December 19, 2007.**



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Full Employment Legislation

- **2008 Appropriations Act, signed December 26, 2007.**
- **Small Business and Work Opportunity Tax Act of 2007, signed May 25, 2007.**
- **Pension Protection Act of 2006, signed August 17, 2006.**



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### International

- **2008 Revisions to F 90.22-1, Report of Foreign Bank and Financial Accounts.**
- **Look for possible due date change, increased ties to income tax reporting, and standardized in light of new penalties.**



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### International

- New mark-to-market regime on expatriation of U.S. citizens and long-term residents.
  - Deemed sale of assets and tax on net gains in excess of \$600K.
  - Alternative bond posting.
- New U.S. German and Belgium treaties include mandatory binding arbitration on competent authority.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### International

- 2008 new F 8926, Disqualified Corporate Interest Expense Disallowed Under §163(j) and Related Information.
- Resubmission of 2006 F 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts. Result of IRS losing extensions.
- Revised 2007 F 1120-F includes required M-3 for \$10M in reportable assets



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Tax-Exempts

- New 990 – Whew!
- New F 990-N, (e Postcard), for tax-exempt organizations with under \$25,000 in receipts.
  - Due May 15, 2008 but no penalty.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Benefits

- 409A deferral again – last reprieve!
- Operational compliance in 2008.
- Plans by January 1, 2009.
- An IRS voluntary correction program is in place.
- Must address for summer/fall planning.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Benefits – Notice 2008-1

- S corporation shareholders may deduct health insurance premiums above-the-line for policies in the corporation's name **OR** their own name, provided:
  1. Earned income from S corporation exceeds amount of premiums;
  2. Shareholder not eligible to participate in another plan or spouse's plan;



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Benefits, cont'd.

3. Coverage is paid for by the corporation, *or*
  4. The corporation reimburses the 2% shareholder for the premiums, *and*
  5. The premium is included in shareholder's W-2;
- Any reimbursement from corporation to shareholder must occur in the same year.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Trust and Estate

- Trust administration costs Post-Knight: Costs deductible without 2% limitation if costs would be uncommon for individual to incur.
- For 2007, trustee fees, 1041 preparation and accounting fees exempt from 2% floor and no unbundling of fees is required.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Trust and Estate

- *However*, fees paid to third party, e.g. investment advisors and readily identifiable are subject to 2%.
- Substantiation of investment advisory fees to fulfill unusual investment objective, specialized balancing, and special needs trust would be exempt.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Business Provisions

- Legislation pending to reclassify cell phones and PDAs from listed to business property.
- §179 increased from \$128,000 to \$250,000 with phase-out threshold raised from \$510,000 to \$800,000 for 2008.
- 50% bonus depreciation allowed for qualified property.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Business Provisions

- Late filing penalties for partnerships and S corporations now up to \$85 per K-1, per month, up to 12 months.
- Legislation proposed to move F 1065 extension date to 5 months (September 15th).
- Legislation to make tax strategy patents illegal.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### AMT

#### 2007 Individual AMT Patch

- \$66,250 exemption MFJ with phase-out between \$150,000 and \$415,000.
- \$44,350 exemption single with phase-out between \$112,500 and \$289,900.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### AMT

#### 2008 with no patch

- \$45,000 exemption MFJ with phase-out between \$150,000 and \$330,000.
- \$33,750 exemption single with phase-out between \$112,500 and \$247,500.
- Rep. Rangel's 4% surtax to replace AMT?



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Mature Minimum Tax Credits (MTC)

- For years 2007 – 2012, MTC may offset a portion of regular tax liability for mature MTC's resulting from deferral items only.
- AGI must be less than \$235,000
- Limited to greater of 20% of mature MTC, or \$5,000, or prior year amount to offset regular and TMT.



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## MY PRACTITIONER WATCH LIST OF TOP FEDERAL ISSUES

### Other

- FIN 48 delayed again, but time has come.
- Examination – correspondence audits to increase.
- Tax-gap initiatives – 3<sup>rd</sup> party reporting.
- E-services to open up to taxpayers.
- Form 1099C to include phone number of debtors.
- Form 8919 to allow "employees" to file contrary position for erroneous 1099s.



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