



WCR Presentation

Tax Topics that will Impact you!

February 6, 2020

1. December 2019 passage of the Secure Act
 - a. Required Minimum Distributions
 1. If you attained age 70 ½ after 12/31/2019 your RMDs are not required until age 72
 2. If you attained age 70 ½ on or before 12/31/2019 you continue your RMDs under the old rules
 - b. "Stretch" RMDs are eliminated; replaced by a 10 year draw down requirement on inherited IRAs except:
 1. If you are the surviving spouse
 2. If you are < 18 years old; distribution begins when you reach 18
 3. If you are less than 10 years younger than the decedent
 4. If you are disabled or chronically ill
 5. Applies to deaths after 12/31/2019
 - c. If you are working and over the age of 70 ½ you can NOW continue to fund your IRA (NOTE- this does not apply to contributions made for tax year 2019 even if made in 2020)
 - d. Added a \$5,000 penalty free withdrawal for:
 1. Adoption of a child
 2. Birth of a child
 - e. 529 Plan Withdrawals
 1. Now allows for a tax free distribution (up to \$10,000-lifetime per individual) to pay student loan interest
 2. Now allows tax free distributions for fees, books, supplies and equipment for apprenticeship programs
 3. These changes are applicable for distributions made after 12/31/2018
2. Other legislation
 - a. Senate Appropriations bill HR 6147 gave IRS \$200 million MORE THAN THEY REQUESTED to increase enforcement;
 - b. IRS continues to struggle with "voluntary compliance" (currently at 81.3%)

3. IRS Enforcement – How the IRS plans to increase enforcement in 2020

a. Increase certain types of audits

1. matching notices
2. 1095 notices (Marketplace subsidies)
3. Auditing of credits-EIC, Child credits, 1116

b. Aggressively pursue identified high risk issues

1. non-filers
2. Misuse of tax exempt status
3. Tax Shelters
4. S-corp filings (active business) with no or little officer/owner compensation
5. S-corp basis issues
6. Crypto currency

c. Outside Collection firms-remember, the IRS routinely starts with regular mail delivery. Only when the Taxpayer fails to respond will the IRS resort to in person or telephone contact.

1. CBE Group (Cedar Falls, IA)
2. Conserve (Fairport, NY)
3. Performant (Livermore, CA)
4. Pioneer (Horseheads, NY)

d. 10/16/2019 IRS announced its procedures for Passport restrictions

1. Owe > \$52,000.
2. Notice of Federal Tax Lien has been filed
3. Taxpayer is not in a payment plan nor has been labeled "CNC"
4. IRS will notify State Department to deny application for a passport or renewal

e. July of 2019, IRS announced that Criminal Investigations will increase

4. Upcoming deadlines

- a. March 1st- last day to register for NMP filing for 2020
- b. March 15th- last day to register (timely) for S-election status for 2020
- c. March 15th-due date for S-corp and partnership returns
- d. April 15th-due date for C-corp and individual returns
- e. April 15th-last day to make an IRA or HSA contribution for 2019

5. IRS Audit Activity during 2019

- a. Error of financial advisor landed the client in Tax Court
- b. Paid Preparer "fails" the client (audit of two years results in \$27,000 due to the IRS and \$7,000 due to Ohio)
- c. Paid Preparer aids husband in deceiving wife as to filed returns. Wife looking at \$175,000 due to the IRS (plus penalties and interest)

WHAT DOES THIS TELL YOU:

1. YOU ARE RESPONSIBLE FOR THE ACCURACY OF YOUR TAX FILINGS
2. YOU NEED TO CAREFULLY SELECT FINANCIAL ADVISORS, ATTORNEYS AND ACCOUNTANTS

2020 WILL BE INTERESTING-

1. Now that impeachment is over; will Congress tackle any "fixes" of the Tax Code?
2. Depending on the 2020 election, what impact will the election have on your tax obligation?

HOLD ON; 2020 WILL BE INTERESTING!

THANK YOU AND HAVE A GREAT YEAR!