

2015 NATIONAL INCOME TAX WORKBOOK™

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Land Grant University Tax Education Foundation, Inc.

2015 National Income Tax Workbook™

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INTRODUCTION

Although 2015 was a relatively quiet year for tax legislation, there are still a lot of new rules to learn for filing 2015 federal income tax returns. The “Affordable Care Act” chapter focuses on the employer mandate, which is effective for the first time in 2015 but has some transition rules that phase in the application of some of the provisions. The chapter also reviews the mandate that individuals have minimum essential coverage or pay a penalty unless they qualify for an exemption. The premium tax credit helps pay the cost of health care insurance for some individuals. The chapter also provides guidance on the information reporting requirements that start in the 2015 calendar year.

The “Repair Regulations” chapter updates last year’s explanation based on new guidance from the IRS. Rulings from the IRS confirm that regulations primarily codified and clarified existing law, which means that most taxpayers do not have a change in method of accounting when they follow the regulations.

The “New and Expiring Legislation” chapter discusses the retroactive extension of over 50 provisions that expired at the end of 2013—and they expired again at the end of 2014. Although Congress is likely to extend most of them, taxpayers will have to wait until the president signs legislation to know if any are not extended and the details for those that are extended. The president did sign some tax legislation in 2015. Higher penalties will apply to late, inaccurate, or unfiled information returns for tax years beginning after December 31, 2015, which will affect information returns filed in 2017 and after. Other legislation changed filing due dates for partnership, C corporation, and other returns; clarified basis rules; and imposed a new requirement that executors of decedents’ estates report the basis of assets in the estate to the beneficiaries.

The “Tax Benefits Limited by Income” chapter compares the phaseout ranges for several income tax provisions that are affected by the taxpayer’s level of income. Each of those provisions affects the taxpayer’s effective marginal tax rate because an additional dollar of income not only increases taxable income by one dollar but may also decrease a deduction, which further increases income. Similarly, an additional dollar of income may decrease tax credits that are affected by the amount of income.

The “Individual Taxpayer Issues” chapter explains who can claim the home mortgage interest deduction, and it discusses new rules for calculating gain or loss from playing slot machines. It also explains itemized deductions for sales tax, and the allocation of property deductions between a buyer and a seller. The chapter provides information about applying for innocent spouse relief, and it reviews the requirements for gift tax return filing. It discusses basis and holding period rules for asset transfers, and strategies for estate planning with the deceased spousal unused exclusion (DSUE).

The “Retirement Issues” chapter includes checklists to facilitate compliance with the requirements of various types of retirement plans, and it explains the tax treatment of nonqualified annuities. It also reviews the tax treatment of net unrealized appreciation in employer securities, and it compares and contrasts the tax implications of a business sale structured as a stock sale and a business sale structured as an asset sale.

The “IRS Issues” chapter discusses options for taxpayers who have not complied with requirements for reporting of foreign investments, and it describes how the IRS investigates and assesses penalties in trust fund recovery cases. It explains how and when to use the new Form 1023-EZ, which streamlines the application for tax-exempt status from 26 pages to 3 pages.

The “Ethics” chapter discusses tax practitioners’ ethical responsibilities and reviews several provisions (both old and new) of Treasury Department Circular 230, *Regulations Governing Practice before the*

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Internal Revenue Service. It includes a review of challenges to the IRS's ability to regulate tax return preparers, and numerous examples and case studies illustrate how the ethical rules and regulations apply to everyday tax practice.

The "Tax Practice" chapter explains recoveries and the tax benefit rule, and the taxation of damage awards. It provides an overview of appealing a case to the United States Tax Court, and it discusses e-file authentication requirements and some significant concerns that the requirements will require disclosure of private information and will compromise the trusted relationship between the tax practitioner and his or her client. The chapter also details alternate payment methods for clients who owe taxes, including the recent expansion of the business online payment agreement.

Calculating and reporting a net operating loss (NOL) can be complex. The "Net Operating Losses" chapter describes when a taxpayer can carry an NOL to another year, and how the NOL is computed. It also details ways to use NOLs to maximize tax benefits.

Three chapters look at issues that significantly impact business taxpayers:

1. The "Business Entities" chapter explains cancellation of debt (COD) income and some key exceptions that allow a taxpayer to exclude COD income. It also includes a review of the allocation of partnership liabilities and some common tax issues faced by limited liability companies.
2. The "Business Issues" chapter includes strategies for grouping activities to minimize net investment income tax, an updated review of business travel and car and truck expenses, and new requirements for reporting payment card and third-party network transactions on Form 1099-K. It also describes the large impact that common control has on tax and benefit treatment, including consolidated return filing, rate structures, the ability to use certain deductions and credits, and employer requirements under the Affordable Care Act.
3. The "Trade or Business" chapter distinguishes between a trade or business and an investment or hobby activity. It provides a summary of key cases that illustrate when the self-employment tax applies. The chapter also looks at the definition of a trade or business in the context of emerging businesses models such as Uber and Lyft.

The "Agricultural Issues" chapter discusses reporting gain or loss from the sale of livestock, and net investment income tax problems to look out for when retiring and transferring the family farm to the next generation. It explains how to report income and deductions for landowners who receive payments for oil and gas on their property, and it details the tax implications of revoking an election to report a Commodity Credit Corporation (CCC) loan as income.

The "Tax Accounting Issues" chapter examines how to choose a method of accounting and how to change that method of accounting, including changes necessitated by depreciation errors. It describes tax accounting requirements for cost of goods sold and inventory, and specialized tax accounting treatment for soil and water conservation expenses and employee tips.

As always, the "Rulings and Cases" chapter summarizes court cases, new regulations, and IRS pronouncements that have been published since the 2014 book.

The value of this book as a resource for information throughout the year is enhanced by the "Tax Rates and Useful Tables" chapter, which provides a quick reference for the 2014, 2015, and 2016 tax years (to the extent that 2016 information is available).

The Land Grant University Tax Education Foundation, Inc. is pleased to provide this book to about 29,000 tax practitioners in tax schools taught in 32 states.

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