

NPL MEETING
November 20, 2014

Welcome – Jane Agule, Analyst, NPL

What's on Your Mind – Candice Cromling, Director, NPL

Online Services – 2848 – office wanted to relay feedback and taking into consideration. Will reengage shortly

Modernized efile – going down Saturday – 11/22/14 at 11:59 AM EST.(MEF status) to prepare system for upcoming season. This pertains to iMEF. BMF scheduled to go down around Christmas.

EITC due diligence - on www.irs.gov

EITC awareness day – 01/30/15

ACA exemptions – 07/13 guidance regarding three-year period. Link to be sent. Federal Register 78 # 126 07/01/13

Affordable Care Act - Marty Pippens, Director, Customer Service & Stakeholder Relationships, ACA Office

ACA Audits???? Impact on individuals????

Exemptions – some TP may actually be aware that they may owe and scramble to get exemption. Can now report pending exemption on Form 8965. Will be included in final form/instructions. Need to report name, ECN number and exemption number. Will be reported in Part I. There will be a special code to designate pending number. Otherwise, the return will be rejected or held up. With the pending it will be accepted AND processed. IRS will be getting exemption status (CT and Federal). If exemption is rejected, it will be dealt with after processing. There is also an appeal process for exemption rejection.

Religious conscience and hardship require ECN. See page 3 of 8965 instructions.

3-year Rule for hardships – HHS regulations sets up exemption categories. Hardship has several subcategories. Two the must be obtained is religious conscience and hardship at least 5 of the HHS hardships can also be claimed on return from IRS. Authority has to be exercised at a specific time.

The general hardship application (general rule) – person has experienced financial hardship or expense would have been further hardship or other (14 other categories). There is a deadline during one of the 3 calendar years in which the hardship occurs. The length of hardship is the month before, during then month after.

The 3-year rule syncs up with the timing to amend a return. Therefore, the hardship can be claimed back to amend a return and granted retrospectively.

Most hardships can be file prospective, retrospective or both. CMS will be asked to create a chart.

There are other hardships that are continuous. Others are continuous, such as Indian tribal membership.

Forms & instructions posted – 8962 and 8965 as of end of last week. Draft instructions to be posted by end of the year.

Pub. 4012 & 5157 – VITA and ACA. Pub includes flow charts regarding MEC and exemptions. Further, filing thresholds are also included.

KEY MESSAGES – PTC and MEC – directed at practitioners regarding coverage for returns. Includes things to ask, look for, etc. Look under Tax Pros page as they are still awaiting publication to website. This is not due diligence, but rather offers “**best practices**”.

Employers – still draft forms and instructions for 1095 B & 1095 C that starts for 2015 year. These are optional for 2014. There will be look back to 2014 to determine large vs. small employer. Employers have to offer insurance by 01/01/15

Working on Pub 5164 & 5165 on new ACA reporting. They will contain technical specs. The pubs aren't even in draft forms yet. This will relate to Forms 1095B & 1095C.

Repairs v. Capitalization – Andrew Keyso, Associate Chft Counsel (ITA)

Regs came out 10/13. This meeting is to clear up confusion surrounding the regulations.

Prior to current regulations, there was a mishmap of rules. This provides more certainty and predictability and include examples. They feel this is a safe harbor to small businesses and de minimus rules. Might be more tax advantageous to small business owners. Might be seamless to those not overly aggressive with capitalization.

There was misinformation that pertain to large companies. If aggressive, there could be tougher implementation. Often related to cost segregation studies.

De Minimus rules – safe harbor – won't challenge expenditure under \$500. And won't determine it to be capital. Doesn't mean that expenditures OVER \$500 are capital. It doesn't establish a

flat amount (line in the sand). You can still look at repair vs. capitalization. If company has capitalization policy in place, it can stay. RO should not necessarily challenge all expenses greater than \$500. They would still employ a materiality threshold.

The larger threshold relates to those with higher receipts and audit gives better feeling that the materiality is met and more comfortable with items. MUST be certified audited statements with CPA report.

Transition rules – effective 2014 but has look-back period. Change should not be made haphazardly, but can look back for positive change in prior years. Not all business will have issue with transition. TP can attach Form 3115, but not necessary.

Return Preparer Office – Carol Campbell, Director Return Preparer Office

The directory is still a work-in-progress, but getting better. Carol will provide demonstration of how the directory will work.

Directory will be updated weekly and lists update date. Data comes directly from PTIN system. However, there could be up to a 4-week delay to get the data updated in the PTIN.

Within the directory, you can search under various criteria, but will only be able to verify that the person has credentials. You cannot get info such as address or firm.

The Directory is expected to go live before the start of the 2015 filing season. If someone doesn't renew PTIN, they WILL be dropped from system until they renew.

It is NOT a tool to find a preparer, it is a tool to VERIFY preparers.

IRS Operations Support – Peggy Sherry, Deputy Commissioner, Operations Support

Funding remains a serious issue to operations. More and more involvement is being placed onto the stakeholders. The Commission has been marketing the impact of budget constraints.

To counter, the IRS will be working on more of a virtual interface to communicate with TP and stakeholders.

They hope to adjust filing thresholds such as e-filing W2s with less employees, etc. also looking at the timing of when they should be submitted.

Filing Season Communication – Terry Lemons, Chief, Communications & Liaison

Tax professional education campaign – looking to establish page for organizations with text and hot link to that organization. IRS is looking to put this onto front page of website. (i.e. picking a tax preparer)

The page would be a link to cover items such as ACA issues, how to find a preparer, find a member, tax tips, etc. It can also be used to list our Chapters.

Create URL to provide to IRS as well as a brief description of the Organization.

IRS is looking at press conference in mid-December with tax tip, tools and then describing this page. Stakeholders could be at press conference with prepared statement and available for interviews, etc. Looking at 12/9, 12/17 & **12/18**

Announcements & Closing – John Lipold, SRM Branch Chief, NPL

Next meeting is on 01/15/2015