

ROBERT D FLACH'S
THE TAX PRO LETTER
September 15, 2016

Dear Tax Pro:

+ A recent CHECKPOINT NEWSSTAND week-day daily email newsletter reports "New self-certification procedure for taxpayers who miss 60-day rollover deadline" -

"In a Revenue Procedure ([Rev Proc 2016-47](#)), IRS has provided a new self-certification procedure designed to help recipients of retirement plan distributions who, due to one or more specified reasons, inadvertently miss the 60-day time limit for properly rolling these amounts into another retirement plan or individual retirement arrangement (IRA). The new self-certification procedure allows these taxpayers to claim eligibility for a waiver of the 60-day rollover requirement that can be relied upon by a plan administrator or IRA trustee in accepting and reporting receipt of the rollover contribution."

The 11 reasons that qualify for relief in this new procedure are -

1. The financial institution receiving the contribution or making the distribution to which the contribution relates made an error;
2. The distribution check was misplaced and never cashed;
3. The distribution was deposited into an account that the taxpayer mistakenly thought was an eligible retirement plan;
4. The taxpayer's principal residence was severely damaged;
5. A member of the taxpayer's family died;
6. The taxpayer or a member of the taxpayer's family was seriously ill;
7. The taxpayer was incarcerated;
8. Restrictions were imposed by a foreign country;
9. The post office made an error;
10. The distribution was made on account of a levy under Sec. 6331, the proceeds of which have been returned to the taxpayer;
11. The party making the distribution delayed providing information that the receiving plan or IRA required to complete the rollover despite the taxpayer's reasonable efforts to obtain it.

+ My buddy and fellow tax blogger Kay Bell of DON'T MESS WITH TAXES, the "yellow rose of taxes", recently reported the bad news that "[IRS wants to more than double some payment plan fees](#)".

There originally was no fee for entering into an installment payment agreement with the IRS. And that is how it should be. Taxpayers are already paying the IRS interest and some penalty - that is enough.

Setting up an installment payment agreement when filing a balance due tax return is good for the IRS and good for taxpayers - but it is not so good for taxpayers any more with these fees. I used to advise clients to use installment agreements when

there was no fee - but I no longer recommend formal agreements because of these fees.

One of my clients had set up an installment agreement with the IRS, with the fee added to the amount due. Then he received additional income and was able to pay the full balance due in one payment, no longer needing an installment agreement. However he was still forced to pay the fee for setting up the unused agreement.

I expect this increased "nickel and diming" by the IRS is to make up for the idiots in Congress cutting the Service's budget.

So what do you think - should the IRS charge an additional fee for participating in an installment agreement?

+ Speaking of Kay Bell, in reporting on the recent loss by the AICPA in its battle against 1040 tax credentials, discussed last issue, Kay asked fellow blogger Joe Kristan and myself about our current thoughts on the issue of tax preparer regulation (see her post "[AICPA loses legal round in IRS tax pro regulation fight](#)").

I responded in my TWTP post "[Kay Bell - You Asked for It](#)" and Joe responded in "[Tax Roundup, 8/17/16: Yes, Kay, preparer regulation is still unwise. And: rent reduction, insurance reduction, and other links!](#)".

So, fellow tax pros, what do you have to say about this issue.

+ In the above-referenced post, when talking about the IRS voluntary "Annual Filing Season Program" (AFSP), I said -

"I posed this question to other tax pros at a Facebook tax professionals group - 'have you received any new clients from participating in the AFSP?' - and all answers received were 'no'."

How would you answer this question? And what do you think about the AFSP?

+ Speaking of the AFSP, and the AICPA, the Institute continues its inappropriate campaign to attempt to destroy any government-sponsored program that identifies competent and current tax return preparers.

Michael Cohn of ACCOUNTING TODAY tells us "[AICPA Appeals Decision to Preserve IRS Program for Tax Preparers](#)" -

"The American Institute of CPAs is appealing a court decision that upheld the Internal Revenue Service's voluntary program for tax preparer education and testing."

The article also identifies the basic failure of the relatively useless voluntary AFSP -

". . . only about 10 percent of unenrolled preparers are in the Annual Filing Season Program."

FYI, I am not against Certified Public Accountants. I simply believe that it is important to debunk the "urban tax myth", perpetrated by the AICPA and spread by uninformed journalists, that CPAs are automatically 1040 experts by the mere existence of the initials after their names.

I do willingly admit that there are indeed some CPAs, and I personally know of a few, who are competent and current in 1040 preparation, and some who actually are 1040 experts. But it is because of the education, training, and experience of the individual professional, and has **absolutely nothing whatsoever to do with the initials CPA.**

+ I have written a guide especially for new homeowners - a detailed review of all of the special tax benefits available to homeowners.

The guide discusses -

- itemized deductions for real estate taxes, mortgage interest, points, and mortgage insurance premiums,
- the home office deduction,
- rental income and deductions for a 2-family home,
- the home sale exclusion, and
- the dreaded Alternative Minimum Tax.

It also includes a special section on Choosing a Tax Professional, and special forms, schedules, and worksheets to use during the year and at tax time.

Reprint rights of this report is available to tax and real estate professionals for free distribution to current and potential clients. The cost of reprint rights to this report is \$49.95. The reprintable guide will be sent as a word doc email attachment so you can personalize it, and the signed reprint rights agreement will be sent via postal mail.

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+ NATP President Gerald Cannito discusses the "[Top Challenges for Tax Professionals: Now and in the Future](#)" at ACCOUNTING WEB.

I agree with Gerald that -

"The greatest challenge is educating the public on the need to have trusted, qualified, and ethical tax professionals handling their tax preparation."

It is not an issue for me, as I am winding down and no longer accept new clients, but it is very important that the taxpayer public truly understand that no tax preparation software package, online tax preparation service, or tax preparation "app" is a substitute for a competent, knowledgeable, and experience tax professional.

As Gerald put it in the interview -

"Software can only crunch the numbers: adding, subtracting, multiplying, and dividing. It cannot replace the qualified tax professional's ability to apply the correct law to one's tax situation."

+ In reviewing a year-end CPE offering a while back I included the following statement -

"And, of course, the annual 2 hours of redundant ethics preaching. No reflection on the seminar leader, but, for me (not legally required) this is a total waste of 2 hours, and I usually zone out or daydream during most of the presentation."

This 2 hours of redundant ethics preaching can actually turn into 4 or 6 hours of wasted time each year, as most organizations who offer day-long CPE sessions feel they must include 2 hours of ethics preaching, regardless of the intended main topic, to insure maximum enrollment.

Forced ethics CPE will not reduce tax fraud! I have said time and time again over the years that if a person is crooked, forcing him or her to sit through 2 hours or redundant ethics preaching every year ain't going to turn him or her honest! I have been preparing 1040s for over 40 years. If I ain't honest by now - and I probably wouldn't have been able to remain in business for 40+ years if I were not - a 2-hour class ain't going to perform a miracle.

This annual 2-6 hours of redundant ethics preaching not only wastes our time but also our money - we are paying for 8, or 16, or 24 50-minute CPE hours of actual tax return related education, but are only receiving 6, or 12, or 18 CPE hours!

I do not need to take the same class on depreciation each and every year. I only need to be told of any new depreciation-related law or developments. So why am I forced (though not actually required) to sit through 2 or more hours of ethics each and every year to be able to properly prepare 1040s? If there is a true change or new development in the area of ethics or preparer penalties that it can be mentioned along with other new law or development as part of the annual update class.

The forced inclusion of 2 hours of redundant ethics preaching in the annual year-end tax update class can actually diminish the benefit of the class for tax preparers. The discussion of important topics can be cut short, and/or one or more court case, or new revenue ruling or other development, although included in the text, is often skipped over in the classroom presentation and discussion, when it really is important enough to be reviewed in detail, because the instructor must be sure to have 100 minutes left at day's end for the ethics nonsense.

What do you think?

+ FYI - Kelly Phillips Erb, the FORBES.COM TaxGirl, gives us the word that "[Federal Tax Receipts Hit Record High \\$2.9 Trillion - And Counting](#)" -

"Federal tax receipts for the first 11 months of fiscal year 2016 totaled \$2.909 trillion, according to the Congressional Budget Office (CBO). The CBO estimates that the government took in \$26 billion - or about 1% - more than they did during the same period last year, marking a record high."

+ Let's end with Jeff Stimpson's question "[Does Your Practice Need a Storefront?](#)" at TAXPRO TODAY. I talk about my situation in a comment.

My website "[THE TAX PROFESSIONAL](#)" is chock-a-block with helpful information and resources for use in your tax practice, including a compilation of online resources for the tax pro, commentary on important topics of interest to the tax preparation community.
Check it out today!

Your comments on the issues and items discussed in this issue, and suggestions for future issues, are welcomed.

Send them to me at rdftaxpro@yahoo.com with "TAX PRO LETTER COMMENTS" in the subject line.

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TAX PROFESSIONAL RESOURCES:

TAX PROFESSIONAL FORMS, SCHEDULES, AND WORKSHEETS - I have been preparing 1040s since 1972. Over the years I have developed a collection of forms, schedules and worksheets that have proven very helpful in my practice. Some forms are given to clients to help them provide me with the information I need to prepare their returns. Some are used as "memos" to the client's copy and my office file copy to back-up items reported on the returns. Others are used as attachments to the returns. Please be aware that this is copyrighted material and is for your internal use only.

ROBERT D FLACH'S THE SCHEDULE C LETTER - A newsletter of tax planning and preparation advice, information, and resources for self-employed sole proprietors reporting income and expenses on Schedule C. A great resource for someone thinking about starting a sideline business as well as the veteran small businessperson. Published every-other month, also included in each issue will be unique forms, logs and worksheets. Click [here](#) to download a free copy of the premiere issue.

WON'T YOU TAKE THIS ADVICE I HAND YOU LIKE A BROTHER - My best timeless tax advice based on over 40 years of preparing 1040s for taxpayers in all walks of life.

THE NJ-1040 LETTER - A unique newsletter of tax planning and preparation advice, information, and resources written exclusively for the New Jersey State taxpayer. Published 6-times a year - July, October, January, February, March, and April. Click [here](#) to download a free copy of the premiere issue.

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BUSINESS EXPENSE GUIDE – Detailed information on what is and is not deductible and the rules for when and how to claim deductions for business expenses, including several worksheets for keeping track of business expenses.

CHARITABLE CONTRIBUTIONS GUIDE – Detailed information on what is and is not deductible and the rules for claiming a deduction for your charitable giving, including several worksheets for keeping track of deductible charitable contributions.

GUIDE TO EDUCATION TAX BENEFITS – A detailed listing of the various tax credits, deductions, and exclusions available to help fund your or your dependents' college and graduate school education.

ITEMIZED DEDUCTIONS GUIDE – A listing and explanation of the expenses you can claim as Itemized Deductions on Schedule A.

MEDICAL EXPENSE GUIDE - A detailed listing of what you can deduct as a medical expense on Schedule A - if you are lucky, or unlucky, enough to have enough expenses to exceed the AGI exclusion - plus several worksheets to help you keep track of your deductions.

MORTGAGE INTEREST GUIDE – A discussion of what you can deduct as mortgage interest on Schedule A, who can claim the deduction, types of mortgage debt, limitations on deductible mortgage interest, refinancing, and points, and with worksheets, and complete instructions and detailed examples, for keeping track of acquisition debt and home equity debt.

POSITIVELY TAXES – A TAX-DEDUCTIBLE VACATION – This report explains in detail how to make your next vacation tax deductible by attending a job or business related conference or convention, and includes worksheets to help you keep track of your deductible expenses.

POSITIVELY TAXES – MINIMIZING REPORTED GAMBLING WINNINGS - It has always been important for frequent gamblers to keep detailed "contemporaneous" records of gambling activity to minimize the tax cost of winnings, but recent developments have made this even more vital. This report explains the

basics of the taxation of gambling activity and how keeping a gambling log for your casino visits can save you tons of taxes and includes valuable worksheets.

POSITIVELY TAXES – REDUCING ADJUSTED GROSS INCOME - The most important number on your tax return is your Adjusted Gross Income (AGI). This report explains why and discusses how to reduce your 2016 AGI during the year and when preparing your Form 1040.

POSITIVELY TAXES – TAX ASPECTS OF DIVORCE – It is vital that individuals involved in a divorce proceeding have the agreement carefully reviewed by a tax professional before it is finalized. Tax consequences, both current and future, must be considered and factored into many aspects of the divorce agreement and property settlement. This report provides basic information on the tax treatment of various divorce-related topics and discusses some of the tax considerations related to divorce decisions.

TAX GUIDE FOR NEW HOMEOWNERS - A detailed discussion of the various tax benefits available to homeowners, with worksheets to help you keep track of your home-related deductions.

ROBERT D FLACH'S THE SCHEDULE C LETTER, WON'T YOU TAKE THIS ADVICE etc, and THE NJ-1040 LETTER will be delivered as a pdf email attachment. The forms, schedules, and worksheets compilation and the guides and reports for which reprint rights are purchased will be delivered as word email attachments so you can personalize them.

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