

Checkpoint Contents

Federal Library

Federal Editorial Materials

PPC's Five-Minute Tax Briefing

2021

August 10, 2021—No. 2021-15

PREVIEW ISSUE - No. 2021-15

PPC

Five-Minute Tax Briefing[®] August 10, 2021 No. 2021-15

Item for Thursday, August 5, 2021

IRS Seeking Comments on New Form 7203: The IRS is requesting comments on Form 7203 (S Corporation Shareholder Stock and Debt Basis Limitations). IRC Sec. 1366 determines the shareholder's tax liability from an S corporation. IRC Sec. 1367 details the adjustments to basis including the increase and decrease in basis, income items included in basis, the basis of indebtedness, and the basis of inherited stock. Shareholders will use Form 7203 to calculate their stock and debt basis, ensuring the losses and deductions are accurately claimed. The proposed form would replace the Schedule K-1 instruction worksheets and plain paper basis computation attachments with new Form 7203 to be filed with the return whenever the taxpayer previously was required to attach basis computations. Individuals, certain tax-exempt entities, and certain estates and trusts are the affected public for this information collection. The comment period closes on 9/17/21. For more information, see www.federalregister.gov/documents/2021/07/19/2021-15257/proposed-collection-comment-request-for-form-7203 .

Item for Wednesday, August 4, 2021

Funding Changes for Single-employer Defined Benefit Pension Plans: The IRS released guidance on the application of Sections 9705 and 9706 of the American Rescue Plan Act of 2021

(ARPA), which provides changes to the funding rules for single-employer defined benefit pension plans under IRC Sec. 430 and the application of the funding-based limits on benefits under IRC Sec. 436. Changes include (1) minimum funding requirements; (2) extension of the amortization period for shortfall amortization bases to 15 plan years; (3) the applicable minimum and maximum percentages for plan years beginning in 2020 through 2025 and a wider corridor for later plan years; and (4) market rate of interest limitation for statutory hybrid plans. The IRS also details how a plan sponsor makes an election under IRC Sec. 430(c)(8) and how to revoke an election to use a prefunding balance or funding standard carryover balance. Notice 2021-48.

Item for Tuesday, August 3, 2021

Executor Personally Liable for Estate's Taxes: Under the Federal Priority Statute (FPS), an executor is personally liable for unpaid claims of the U.S. to the extent the executor distributes assets from the estate and the executor has *knowledge* or *notice* of the U.S.'s claim. In 2006, the IRS sent Mr. Frese, an attorney and estate Executor, a notice of deficiency for \$1 million, which he disputed. In 2007, he distributed \$640,000, leaving \$183,000 in the estate. In May 2010, the Tax Court determined the estate owed more than \$500,000 in estate tax. The IRS declined an Offer in Compromise (OIC) because it included amounts collectible from the Executor under the FPS. According to the Tax Court, Mr. Frese had *knowledge* and *notice* of the estate tax claim in 2007 and is personally liable for the estate tax claim. *Estate of Kwang Lee*, TC Memo 2021-92 (Tax Ct.).

Item for Monday, August 2, 2021

Responsible Party Information Must Be Updated: IRS regulations require Employer Identification Number (EIN) holders to update responsible party information within 60 days of any change by filing Form 8822-B (Change of Address or Responsible Party – Business). A *responsible party* is defined by the IRS as the individual or entity who controls, manages, or directs the applicant entity and the disposition of its funds and assets. All EIN applications must disclose the name and Taxpayer Identification Number of the true principal officer, general partner, grantor, owner, or trustor. Unless the applicant is a government entity, the *responsible party* must be an individual, not an entity. The data around the *responsible party* for business-type entities may be outdated. Often, the IRS doesn't have accurate records of who to contact for identity theft or fraud issues. The IRS will send letters to approximately 100,000 EIN holders where it appears the responsible party is outdated. News Release IR-2021-161.

Item for Friday, July 30, 2021

Paid Leave Credit for Eligible Employers Related to the COVID-19 Immunization: The IRS has updated Frequently Asked Questions (FAQs) on the paid sick and family leave tax credits under the American Rescue Plan Act of 2021 (ARPA). The updates clarify that eligible employers can claim the credits for providing leave to employees to accompany a family or household

member or certain other individuals to obtain immunization relating to COVID-19 or to care for a family or household member recovering from a COVID-19 immunization. The paid sick and family leave credits reimburse employers for the cost of providing paid sick and family leave for reasons related to COVID-19 and applies for comparable credits for self-employed individuals. The ARPA has extended these credits to leave taken beginning 4/1/21 through 9/30/21. For more information, see www.irs.gov/newsroom/tax-credits-for-paid-leave-under-the-american-rescue-plan-act-of-2021-determining-the-amount-of-the-tax-credit-for-qualified-family-leave-wages . News Release 2021-160.

Item for Thursday, July 29, 2021

IRS's Actions Waived Specificity Requirement: Per IRC Sec. 7422(a), a taxpayer may not bring a suit for refund in federal court unless it first files a valid refund claim with the IRS. Intermountain, an electrical engineering and manufacturing company, filed amended tax returns claiming refunds based on credits for increasing its research activities (R&D Credits). Intermountain attached Form 6765 (Credit for Increasing Research Activities) to its amended returns. The IRS examined Intermountain's amended returns. During the examination, the IRS requested and received information about Intermountain's research activities. The IRS disallowed Intermountain's refund claims because it found Intermountain didn't qualify for the R&D credits. Intermountain disagreed with the IRS's determination and filed a refund suit in district court. The district court found that the IRS waived the specificity requirement for Intermountain's refund claim because it investigated the merits of the claim before denying it. *Intermountain Electronics, Inc.*, 128 AFTR 2d 2021-XXXX (DC UT).

Item for Wednesday, July 28, 2021

IRS Issues Draft 2021 Form 1040 and Schedules 1, 2, and 3: The IRS has released draft versions of the 2021 Form 1040 and its Schedules 1–3 (Additional Income and Adjustments to Income, Additional Taxes, and Additional Credits and Payments). The draft versions are similar to the 2020 form and schedules, although, among other things, the draft Form 1040 has changed the wording of the virtual currency question, and the schedules now list specific adjustments, taxes, and credits, rather than merely having a catch-all "other" line. The draft Form 1040 was updated to reflect that, in determining the Earned Income Credit (EIC) for 2021, taxpayers may calculate their EIC by using their earned income for 2019 if that 2019 amount is greater than the taxpayer's earned income for 2021. The draft forms can be accessed at <https://apps.irs.gov/app/picklist/list/draftTaxForms.html> .

Item for Tuesday, July 27, 2021

Premium Assistance for COBRA Benefits: The IRS released additional guidance on the application of Section 9501 of the American Rescue Plan Act of 2021 (ARPA), which provides

temporary premium assistance for Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) continuation coverage. This notice expands on guidance in Notice 2021-31. The issues addressed include availability of premium assistance to individuals eligible for an extension who had not elected it; whether premium assistance for vision or dental-only coverage ends due to eligibility for other health coverage that does not include vision or dental benefits; availability of premium assistance under a State statute that limits continuation coverage to government employees; whether employers may claim the premium assistance tax credit if the Small Business Health Options Program (SHOP) exchange requires employers to pay COBRA premiums; and which party may claim the premium assistance tax credit. Notice 2021-46.

Item for Monday, July 26, 2021

IRS's Mission Critical Functions Webpage: Efforts to reduce the spread of the coronavirus closed many IRS facilities or reduced the number of employees able to work at specific locations. The IRS has provided a website to update the public on the status of IRS activities like processing returns, applying payments, replying to correspondence, assigning Individual Taxpayer Identification Numbers (ITINs) and more. Even with many employees effectively transitioning to working from alternate locations, many IRS operations continue to experience significant delays. As of 7/17/21, there are approximately 15.6 million unprocessed individual returns. These returns may require special handling by an IRS employee and could take 90 to 120 days to issue any related refund; however, the agency is making progress toward reducing workload backlogs and resuming normal operations. See www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue for the most current status of IRS operations that the COVID-19 pandemic affected.

© 2021 Thomson Reuters/PPC. All rights reserved.

END OF DOCUMENT -

© 2021 Thomson Reuters/Tax & Accounting. All Rights Reserved.