S. Davis & Associates, P.A.
Certified Public Accountants & Consultants

PPC

Five-Minute Tax Briefing ®
October 12, 2021
No. 2021-19

Highlights

Application of Certain Extensions under COBRA: The IRS released clarification of the application of certain extensions of timeframes related to elections and payments of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) premiums during the COVID-19 national emergency. The notice (1) clarifies that the disregarded period for an individual to elect COBRA continuation coverage and the disregarded period for the individual to make initial and subsequent COBRA premium payments generally run concurrently; (2) addresses the interaction of these rules with the American Rescue Plan Act of 2021 (ARPA) COBRA premium assistance and Notice 2021-31 ; (3) provides timelines and examples for calculating when individuals will need to elect and make their initial COBRA payments, based upon when these individuals elected COBRA under the emergency relief notices. Notice 2021-58.

Extension to Replace Livestock Due to Drought: Farmers and ranchers who were forced to sell livestock due to drought may have an additional year to replace the livestock and defer tax on any gains from the forced sales. To qualify for relief, farmers or ranchers must have sold livestock on account of drought conditions in an *applicable region* during any week between 9/1/20 and 8/31/21. An *applicable region* is a county or other jurisdiction designated as eligible for federal assistance plus counties contiguous to it. Notice 2021-55 lists applicable regions in 36 states and one U.S. territory. The relief generally applies to capital gains realized by eligible farmers and ranchers on sales of livestock held for draft, dairy or breeding purposes. The one-year extension, announced in the notice, gives eligible farmers and ranchers until the end of their first tax year after the first drought-free year to replace the sold livestock. News Release IR-2021-193 and Notice 2021-55.

IRS Nationwide Tax Forums Online Launches New Seminars: The IRS has announced that 18 new self-study seminars are available through the IRS Nationwide Tax Forms Online. Tax professionals, CPAs, enrolled agents, Annual Filing Season Program participants and others can earn continuing education for $29 per credit. The new seminars were recorded in July and August at the 2021 IRS Nationwide Tax Forum. The 2021 Seminars can be accessed at https://irstaxforumsonline.com . To earn credit, tax professionals need to create an account, answer review questions throughout the seminar, and pass a short test. The online seminars can be audited for free. Individuals who choose this option will not have access to the review questions or final examination and will not receive credit. These 18 courses are now available in addition to 37 sessions from previous years that are also available for credit. News Release IR-2021-197.

User Fee for Estate Tax Closing Letters: The IRS has issued final regulations (T.D. 9957) imposing a $67 user fee for the issuance of IRS Letter 627, the estate tax closing letter. The final regulations adopt the December 2020 proposed regulations (REG-114615-16) without significant change. The estate tax closing letter is only issued upon request of an estate. The letter specifies the amount of the net estate tax, the state death tax credit or deduction, and any generation-skipping transfer tax for which the estate is liable. The receipt of an estate tax closing letter generally indicates that the IRS examination of the estate tax return is closed. However, account transcripts can be used to confirm that an estate tax return examination has been completed and the IRS file has been closed. Closing letter requests must be made using www.pay.gov . The fee would apply to requests beginning on 10/28/21. Reg. 300.13.

Other Current Releases

Estate Tax—Estate Value of Closely Held Company Included Life Insurance Proceeds: Under IRC Sec. 2051, a decedent's taxable gross estate includes all the decedent's property valued as of the decedent's date of death minus deductions. The Connelly brothers owned a roofing and siding business. They entered into a stock purchase agreement that required the company to buy life insurance in order to buy back the shares of the first brother to die (*buy-sell agreement*). To exclude the value of a buy-sell agreement from an estate valuation, the buy-sell agreement must (1) be a bona fide business arrangement; (2) not used to transfer property to family members for less than full and adequate consideration; and (3) have terms similar to a negotiated arm's length transaction. The Court ruled that the estate value included the insurance proceeds since the buy-sell agreement didn't qualify for the exception to the general valuation rule. *Connelly* , 128 AFTR 2d 2021-5955 (DC Mo).

Foreign Reporting—Countries with Information Exchange Agreements: The IRS has released a list of the jurisdictions with which the U.S. has in effect a *relevant information exchange* *agreement*. One country, Chile, has been added to the current published list of countries with which the U.S. has in force an exchange agreement. Regs. 1.6049-4(b)(5) and 1.6049-8(a) require the reporting of certain deposit interest paid to nonresident alien individuals. The payor is required to report interest aggregating $10 or more paid to a nonresident alien individual on Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) for the calendar year in which interest is paid. This revenue procedure also adds the Dominican Republic and Singapore to the current published list of countries with which Treasury and the IRS have determined it is appropriate to have an automatic exchange relationship with respect to the information collected. Rev. Proc. 2021-32.

IRS Launches Webpage to Assist Taxpayers with Refunds Subject to Review: The IRS has introduced a new webpage that provides information to taxpayers whose large refunds are subject to further review by the Joint Committee on Taxation (JCT or Joint Committee). By law, when taxpayers claim a federal tax refund or credit of more than $2 million ($5 million for a C corporation), the IRS must review the refund or credit and provide a report to the JCT, a nonpartisan committee of the U.S. Congress. Refunds subject to this review are known as *Joint Committee Refund Cases*. Taxpayers can now find answers to most questions about Joint Committee case reviews and links to additional resources. The webpage can be accessed at www.irs.gov/refunds/large-tax-refunds-and-credits-subject-to-review-by-the-joint-committee-on-taxation-what-to-expect . News Release IR-2021-192 .

IRS—Interim Final Regulations on Surprise Medical Bills: The IRS, DOL, and HHS (collectively, "the Departments") have issued interim final regulations (T.D. 9951) and parallel proposed regulations (REG-107707-2126) regarding protections from surprise billing and excessive cost-sharing for individuals receiving health care items and services. These regulations are the third in a series that the Departments are using to implement the No Surprises Act, which was enacted as part of the Consolidated Appropriations Act, 2021 (CAA). These regulations detail the federal arbitration process that providers, facilities, or providers of air ambulance services, and health plans or issuers will use to determine final payment beyond allowable patient cost-sharing for certain out-of-network healthcare services in situations where the No Surprises Act prohibits surprise billing, and require good faith estimates of the charges to uninsured (or self-pay) individuals. The Departments are seeking comments on these changes. DOL News Release, 9/30/2021.

Procedure—New Contracts Awarded to Private Collection Agencies: The IRS has awarded new contracts to three Private Collection Agencies (PCAs) for collection of overdue tax debts: CBE Group, Inc., Coast Professional, Inc. (new for 2021), and ConServe. The IRS will notify taxpayers before transferring their account to a PCA by sending Notice CP40 to the taxpayer and their tax representative informing them that their account was assigned to a PCA and give the name and contact information for the PCA. However, taxpayers can request in writing that their account be reassigned back to the IRS. Once the PCA has received the taxpayer's file from the IRS, the PCA will contact the taxpayer. PCAs are authorized to discuss payment options with taxpayers but may not take enforcement actions against taxpayers. Payments are always made directly to the IRS or the U.S. Treasury. News Release IR-2021-191 .

Procedure—Updated Audit Techniques Guide: The IRS released a revised Audit Techniques Guide (ATG) on *Activities Not Engaged in for Profit IRC Sec. 183* on 9/7/21. ATGs help IRS examiners during audits by providing insight into issues and accounting methods unique to specific industries. While ATGs are designed to provide guidance for IRS employees, they're also useful to small business owners and tax professionals who prepare tax returns. ATGs explain industry-specific examination techniques and include common, as well as, unique industry issues, business practices, and terminology. Guidance is also provided on the examination of income, interview techniques, and evaluation of evidence so they may be helpful for business and tax planning purposes. Since changes may have occurred after the publication date that would affect the accuracy of these documents, no guarantees are made concerning the technical accuracy after the publication date. Current topics can be found at www.irs.gov/businesses/small-businesses-self-employed/audit-techniques-guides-atgs .

END OF DOCUMENT -