Wolters Kluwer

FEDERAL TAX WEEKLY

SEPTEMBER 24, 2015
ISSUE NUMBER 39

INSIDE THIS ISSUE

IRS Describes Bonus Depreciation Under TIPA

Rev. Proc. 2015-48

New guidance describes 50 percent bonus depreciation under the *Tax Increase Prevention Act of 2014* (TIPA). TIPA extended 50 percent bonus depreciation through 2014. Some transportation and longer period production property is eligible for 50 percent bonus depreciation through 2015.

- ***Take Away.*** "The guidance is helpful and is similar to Rev. Proc. 2009-33, issued after a prior extension of bonus depreciation," Christian Wood, principal, Washington National Tax Office, McGladrey LLP, told Wolters Kluwer. "The IRS was flexible in giving taxpayers two methods to claim bonus depreciation (if not claimed) but taxpayers have a limited time in which to take action," Wood explained.
- ***Comment.*** Bonus depreciation is one of the tax extenders waiting for action by Congress before year-end, Wood noted. Any extension could be for one year (retroactive to January 1, 2015) or two years (for 2015 and 2016), or even permanent.

Rev. Proc. 2015-48

If, on its timely filed return for the 2013 tax year or the 2014 short tax year (as defined in section 3.01 of Rev. Proc. 2015-48), as applicable, a taxpayer did not deduct 50 percent bonus depreciation for a class of property that is qualified property or for some or all of its 2014 qualified property, and did not make an election within the time and in the manner described in either section 2.01(3) or section 3.04(2) of Rev. Proc. 2015-48 not to deduct the 50 percent bonus depreciation deduction for the class of property in which the qualified property or the 2014 qualified property, as applicable, is included, the taxpayer may claim 50 percent bonus depreciation for that class by filing *either:*

An amended return for the 2013 tax year or the 2014 short tax year, as applicable, before the taxpayer files its return for the first tax year succeeding the 2013 tax year or the 2014 short tax year, as applicable. If the taxpayer has both a 2013 tax year and a 2014 short tax year, and has timely filed returns for both years, the amended returns for both the 2013 tax year and the 2014 short tax year must be filed before the taxpayer files its return for the first tax year succeeding the 2014 short tax year; *or*

A Form 3115, Application for Change in Accounting Method, under section 6.01 of Rev. Proc. 2015-14, with the taxpayer's timely filed return for the first or second tax year succeeding the 2013 tax year or the 2014 short tax year, as applicable, if the taxpayer owns the property as of the first day of the year of change (as defined in section 3.19 of Rev. Proc. 2015-13). If the taxpayer has both a 2013 tax year and a 2014 short tax year, and has timely filed returns for both years, Form 3115 must be filed with the taxpayer's timely filed return for the first or second tax year succeeding the 2014 short tax year if the taxpayer owns the property as of the first day of the year of change.

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IRS Plans To Extends Some Transitional Rules For Implementing FATCA

Notice 2015-66

The IRS has announced plans to extend some transitional rules for implementation of the *Foreign Account Tax Compliance Act* (FATCA). Extensions, the agency explained, will apply to the date for when withholding on gross proceeds and foreign pass-through payments will begin; the use of limited branches and limited foreign financial institutions (limited FFIs); and the deadline for a sponsoring entity to register its sponsored entities and redocument those entities with withholding agents.

- ***Take Away.*** On September 16, a Canadian court declined to issue an injunction to block implementation of FATCA in Canada. The court observed that while a "great number of Canadian taxpayers holding US reportable accounts are likely to be affected by a reporting system that in many quarters is considered unjust, costly and ineffective," it was for the governments of Canada and the U.S. to revisit FATCA, if appropriate, and not the court.
- ***Comment.*** The IRS explained that before amendment of the FATCA regs, taxpayers may rely on Notice 2015-66.

Extensions

Generally, withholding on withholdable payments of U.S. source FDAP income commenced July 1, 2014. To continue the phase-in of FATCA withholding, the IRS announced that it intends to amend the chapter 4 regs under section 1473 to extend the start date of gross proceeds withholding by providing that the definition of the term withholdable payment means any payment of U.S. source FDAP income, and for sales or other dispositions occurring after December 31, 2018, any gross proceeds from the sale or other disposition of any property of a type that can produce interest or dividends that are U.S. source FDAP income.

Another anticipated extension applies to the start date of withholding on foreign pass-through payments. A participating FFI would not be required to withhold tax on a foreign pass-through payment made to a recalcitrant account holder or a nonparticipating FFI before the later of January 1, 2019, or the date the regs are finalized. Further, the IRS intends to amend regs under section 1471 to provide that the availability of limited branch and limited FFI statuses will terminate on January 1, 2017.

- ***Comment.*** The IRS updates its roster of FFIs monthly, using data from the agency's FATCA registration system. The roster identifies FFIs that have registered and been assigned a Global Intermediary Identification Number (GIIN) at the time the list was compiled. The roster is published only in English.

Additionally, regs under Code Secs. 1471 and 1472 would be amended. The amended regs, the IRS explained, would provide that sponsoring entities must register their sponsored registered deemed-compliant FFIs and sponsored direct reporting NFFEs (nonfinancial foreign entities) by January 1, 2017.

References: FED ¶46,409; TRC INTL: 36,050.

Bonus Depreciation

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IRS consent. If, on its timely filed return for the 2013 tax year or the 2014 short tax year, as applicable, a taxpayer made an election within the time and in the manner described in section 2.01(3) of Rev. Proc. 2015-48 to not deduct 50 percent bonus depreciation for a class of property that is qualified property, the IRS has granted taxpayer consent to revoke that election, provided the taxpayer files an amended return for the 2013 tax year or the 2014 short tax year, as applicable, in a manner that is consistent with the revocation of the election and by the later of (1) December 4, 2015, or (2) before the taxpayer files its return for the first tax year succeeding the 2013 tax year or the 2014 short tax year.

- ***Comment.*** Rev. Proc. 2015-48 provides additional guidance on TIPA's impact on bonus depreciation.

More provisions

TIPA provided for a one-year extension of enhanced Code Sec. 179 expensing. Additionally, TIPA made qualified real property (qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property) eligible for Code Sec. 179 expensing. TIPA also extended for one year the election to increase the alternative minimum tax (AMT) limitation in lieu of bonus depreciation. Rev. Proc. 2015-48 provides additional guidance.

- ***Comment.*** Rev. Proc. 2015-48 is effective September 15, 2015.

References: FED ¶46,403; TRC DEPR: 3,400.

REFERENCE KEY

FED references are to ***Standard Federal Tax Reporter***
USTC references are to ***U.S. Tax Cases***
Dec references are to ***Tax Court Reports***
TRC references are to ***Tax Research Consultant***

FEDERAL TAX WEEKLY, 2015 No. 39. FEDERAL TAX WEEKLY is also published as part of CCH Tax Research Consultant by Wolters Kluwer, 4025 W. Peterson Avenue, Chicago, IL 60646-6085. Editorial and Publication Office, 1015 15th St., NW, Washington, DC 20005.

Proposed Regs Would Substantially Revamp Treatment Of Intangible Assets Under Code Sec. 367

NPRM REG-139483-13

The IRS has issued proposed regs that would tax certain transfers of intangible property to foreign corporations that currently are not taxed under Code Sec. 367. Although the regs are proposed, they would apply to transfers occurring on or after September 14, 2015.

- ***Take Away.*** "Despite the favorable language in the legislative history suggesting that foreign goodwill and going concern value should not be taxed under section 367, the IRS and Treasury, in REG-139483-13, have removed the exception for foreign goodwill and going concern value," Joseph Calianno, partner and International Technical Tax Practice Leader, BDO USA LLP, told Wolters Kluwer. "Under these regulations, on an outbound transfer of foreign goodwill or going concern value, a U.S. transferor will be subject to either current gain recognition under section 367(a)(1) (no active trade or business exception for this transfer) or subject to the section 367(d) regime. Importantly, the proposed regulations addressing this issue have an immediate effective date," Calianno said.
- ***Comment.*** "It is worth noting that these rules can impact many U.S. transferors," Calianno said. "For instance, US companies considering converting their foreign disregarded entities to foreign corporations via check-the-box elections should consider the impact of these rules to the extent that there would be an outbound transfer of foreign goodwill or going concern value."

Background

Code Sec. 367(a) imposes tax on a transfer of appreciated property to a foreign corporation (an outbound transfer). Code Sec. 367(a)(1) does not apply to a transfer of property used in the active conduct of a trade or business outside the U.S. (ATB exception). However, this exception does not apply to intangible property, as defined in Code Sec. 936.

Sec. 367(d) imposes tax on outbound transfers of intangible property, as defined in Code Sec. 936. The transfer is treated as a sale of the property in exchange for the anticipated income from the property over its useful life, limited to 20 years. Existing regs exempt transfers of foreign goodwill and going concern value from taxation under Code Sec. 367(d).

The legislative history of Code Sec. 367(d) states that no gain will be recognized on the transfer of goodwill or going concern value for use in an active trade or business. Congress indicated that the transfer of goodwill or going concern value developed by a foreign branch to a newly organized foreign corporation could not be abusive.

Proposed regs

The IRS indicated that taxpayers seek to avoid gain on transfers of high-value intangible by treating an excessive share of the property's value as attributable to foreign goodwill or going concern value. Taxpayers also are improperly characterizing U.S. generated goodwill and going concern value as foreign. The IRS believes that taxpayers are applying this exemption too broadly and that it must limit the tax-free treatment of intangible property transfers.

The IRS proposed to eliminate the foreign goodwill exception and to limit the property eligible for the ATB exception to certain tangible property, working interests in oil and gas property, and financial assets. Instead, an outbound transfer of foreign goodwill or going concern will be taxable currently under Code Sec. 367(a) or taxable over its useful life in accordance with Code Sec. 367(d). The regs would revise the definition of intangible property to limit it to property described in Code Sec. 936. Taxpayers could also elect to apply Code Sec. 367(d) to goodwill and going concern value.

- ***Comment.*** The proposed regs would also eliminate the 20-year limit on the useful life of intangible property, for measuring income from the property.

References: FED ¶49,667; TRC INTL: 15,054.10.

Temporary Regs Tighten Use Of Transfer Pricing Rules To Analyze Controlled Transactions

The IRS has issued temporary regs to clarify the coordination of the transfer pricing rules with other tax provisions of the Code and regs that apply to controlled transactions. The temporary regs also serve in part as the text of proposed regs (NPRM REG-139483-13) on transfers of property, including certain intangibles, to foreign corporations under Code Sec. 367. The regs apply to tax years ending on or after September 14, 2015.

- ***Comment.*** The transfer pricing rules apply to controlled transactions between taxpayers under common control and authorize the IRS to adjust the results of transactions to clearly reflect their income. The IRS expressed concern that controlled transactions are not being properly analyzed and valued under the transfer pricing rules where other tax provisions, such as Code Sec. 367, also apply. These transfer-pricing rules include the arm's-length standard and the best method rule (Reg. §1.482-1(c)).

The IRS stated that controlled transactions always remain subject to Code Sec. 482, in addition to other generally applicable provisions. These transactions must be analyzed on a consistent basis under Code Sec. 482. The regs clarify the need for an aggregation approach.

TD 9738, FED ¶47,034; TRC INTL: 15,054.10.

IRS Limits Rulings On Spinoffs That May Be Devices For Distributing Earnings And Profits

Notice 2015-59, Rev. Proc. 2015-43

The IRS has announced that it will cease issuing private letter rulings on Code Sec. 355 spinoffs that raise tax avoidance concerns. The new ruling policies apply to ruling requests received on or after September 14, 2015 and to distributions after that date.

- ***Take Away.*** The IRS indicated that certain proposed spinoffs lack an adequate business purpose and would primarily serve as devices for the tax-free distribution of investment assets, rather than assets of an active trade or business. The spinoffs may also be used to circumvent the General Utilities doctrine (which allowed corporations to distribute appreciated property tax-free), the IRS explained.

Background

Under Code Sec. 355, a distributing corporation (a parent corporation) can distribute stock (and securities) of a controlled corporation (a subsidiary corporation) to the parent's shareholders without gain or loss. Code Sec. 355 requires that both the distributing corporation and the controlled corporation meet a five-year active trade or business requirement and be engaged in an active trade or business immediately after the spinoff. The transaction also must be carried out for a good corporate business purpose.

The IRS reported that it is concerned that some spinoffs seek to satisfy these requirements with a minimum amount of "qualifying business assets" (assets of an active trade or business) compared to investment assets held by the corporations involved in the spinoff. The IRS is studying transactions where either:

- The distributing or the controlled corporation owns investment assets having substantial value compared to the value of all the corporation's assets or compared to the value of the active trade or business assets on which either corporation relies to satisfy Code Sec. 355;
- There is a significant difference in the ratio of investment assets to other assets, for the distributing corporation compared to the controlled corporation;
- The distributing corporation or the controlled corporation owns only a small amount of qualifying business assets compared to all of its assets; or
- Either the distributing or the controlled corporation (but not both) elect to be a RIC (regulated investment company or mutual fund) or a REIT (real estate investment trust).

No-rule policies

Nature of assets. While these matters are under study, the IRS will not ordinarily rule on any issue under Code Sec. 355 involving a transaction that results in the distributing or controlled corporation owning a substantial amount of cash and investment assets, compared to all of its assets and its qualifying business assets; and that result in one of the corporations having a significantly higher ratio, compared to the other corporation, of investment assets to non-investment assets.

Small amount of business assets. The IRS will not ordinarily rule on transactions in which the distributing or controlled corporation owns a small amount of qualifying business assets compared to its other assets, unless there are unique and compelling circumstances.

However, the IRS will continue to rule with respect to distributions within affiliated groups if there is no plan for stock of any corporation to be distributed outside of the affiliated group. The IRS requested comments on whether to treat these transactions, or whether to continue ruling on other classes of transactions.

RICs/REITs. The IRS expressed concern about transactions where either the distributing or controlled corporation elects to become a RIC or REIT, where the transaction involves a small amount of qualifying business assets. A REIT transaction of concern involves the retention of control over a REIT's assets through long-term leases or other arrangements. Absent unique and compelling circumstances, the IRS will not ordinarily rule on these transactions.

References: FED ¶¶46,398, 46,399; TRC REORG: 30,106.10.

Wolters Kluwer Projects Inflation-Adjusted Tax Brackets And Other Amounts for 2016

The Tax Code requires that federal income tax brackets and certain other figures be adjusted for inflation annually. Wolters Kluwer has projected the 2016 standard deduction, tax bracket amounts and other inflation-adjusted tax figures based on the relevant inflation data just released by the U.S. Department of Labor (DOL).

Key figures. Key projected inflation-adjusted tax amounts that have increased for 2016 include:

Personal and dependency exemptions for 2016 will increase to $4,050 from their 2015 level of $4,000;

The top brackets: $466,950 for married joint filers (up from $464,850); $441,000 for heads of household (up from $439,000); $415,050 for unmarried filers (up from $413,200); and $233,475 for married separate filers (up from $232,425);

Filers subject to the Alternative Minimum Tax (AMT) will see their exemption amounts increase: $83,800 for married joint filers (up from $83,400); $53,900 for unmarried filers (up from $53,600); $41,900 for married separate filers (up from $41,700); and $23,900 for estates and trusts (up from $23,800).

- ***Comment.*** *For other inflation adjustments, see the Practitioners' Corner in this newsletter.*

www.bls.gov/cpi.

IRS Issues Final Regs On Dividend Equivalents; Effective Date Postponed

TD 9734, NPRM REG-127895-14

The IRS has issued final, temporary and proposed regs under Code Sec. 871(m) that provide guidance on financial instruments that are treated as paying dividend equivalents. The final regs generally adopt the proposed regs, with some changes.

- ***Take Away.*** Generally, foreign taxpayers are subject to 30 percent withholding on U.S. source income, such as dividends. Taxpayers were investing in various financial instruments that paid substitute dividends based on U.S. securities that paid dividends. Congress enacted Code Sec. 871(m) to ensure that withholding would apply to these dividend equivalents.
- ***Comment.*** The final and temporary regs will apply to transactions issued on or after January 1, 2017. For transactions issued in 2016, the regs apply to the payment of a dividend equivalent on or after January 1, 2018.

Background

Under Code Sec. 871(m), dividend equivalents include:

- A substitute dividend paid under a securities lending agreement or sale-repurchase agreement;
- A payment under a "specified" notional principal contract (NPC) that is contingent on a U.S. source dividend; and
- Any other payment that the IRS determines is substantially similar to a substitute dividend or to a payment on a specified NPC.

Under 2013 proposed regs, dividend equivalents include payments made under a "specified" equity-linked instrument (ELI). The regs defined an ELI as any financial transaction, such as a futures contract, that references the value of one or more underlying securities.

Final regs

The proposed regs determined that an NPC or an ELI was subject to withholding based on a single factor, the contract's "delta." Delta refers to the ratio of a change in the contract's fair market value to a small change in the value of the property referenced by the contract.

The final regs retained the delta test but raised the threshold at 0.80. The final regs provide that the delta is determined only when the instrument is issued and not when it is subsequently transferred in the secondary market.

In some cases, the delta cannot be determined. The final regs divide contracts into simple and complex contracts and apply the delta test only to simple contracts. Most NPCs and ELIs will be simple contracts, the IRS stated. For complex contracts with indeterminate deltas, the IRS provided a new substantial equivalence test in the temporary and proposed regs.

The final regs retain an anti-abuse rule for transactions where the taxpayer has a principal purpose of avoiding Code Sec. 871(m). The final regs also spell out rules for reporting, recordkeeping and withholding on dividend equivalents.

References: FED ¶¶47,035, 49,669; TRC INTL: 3,558.25.

IRS Issues Final Regs On F Reorgs

TD 9739

The IRS has released final regs describing a corporate reorganization under Code Sec. 368(a)(1)(F) (an F reorg). The final regs also describe outbound F reorgs.

- ***Take Away.*** An F reorg is generally a change in identity, form, or place of organization of one corporation, however effected (a Mere Change). When a corporation changes its identity, form, or place of incorporation, questions have arisen as to what other changes may occur, without affecting the status of the Mere Change, the IRS explained.

Final regs

The final regs describe six F reorg requirements. The first requirement is that immediately after the F reorg, all the stock of the Resulting Corporation must have been distributed (or deemed distributed) in exchange for stock of the Transferor Corporation. Second, subject to certain exceptions, the same person or persons must own all the stock of the Transferor Corporation at the beginning of the F reorg and all of the stock of the Resulting Corporation at the end of the reorg, in identical proportions.

- ***Comment.*** The Resulting Corporation may issue a de minimis amount of stock not in respect of stock of the Transferor Corporation, to facilitate the organization or maintenance of the Resulting Corporation.

The third requirement (limiting the assets and attributes of the Resulting Corporation immediately before the transaction) and the fourth requirement (requiring the liquidation of the Transferor Corporation) under the Final Regulations reflect the statutory mandate that an F reorg involve only one corporation. The fifth requirement is that immediately after the F reorg, no corporation other than the Resulting Corporation may hold property that was held by the Transferor Corporation immediately before the reorg, if the other corporation would, as a result, succeed to and take into account the items of the transferor corporation described in Code Sec. 381(c). Finally, the sixth requirement is that immediately after the F reorg, the Resulting Corporation may not hold property acquired from a corporation other than the Transferor Corporation if the Resulting Corporation would, as a result, succeed to and take into account the items of such other corporation described in Code Sec. 381(c).

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IRS Sets Per Diem Rates For Post-September 30 Travel

Notice 2015-63

The IRS has announced the simplified per diem rates that taxpayers can use to reimburse employees for expenses incurred during travel after September 30, 2015. The high-cost area per diem increases to $275 and the low-cost area per diem increases to $185, the IRS reported.

- ***Take Away.*** In Rev. Proc. 2011-47, the IRS explained that going forward it would not revise the annual revenue procedure that provides rules for using a per diem rate to substantiate the amount of an employee's expenses for lodging, meal and incidental expenses, or for meal and incidental expenses only, that a payor reimburses. Instead, the IRS would publish, as it has this year, an annual notice providing the specific per diem rates and the list of high-cost localities.

Per diem rates

The IRS-approved per diem rate for high-cost areas is $275. The IRS-approved per diem rate for all other areas is $185. The rates apply to per diem allowances paid for travel after September 30, 2015.

Incidental expenses

The IRS explained in Rev. Proc. 2011-47 that the term "incidental expenses" has the same meaning as in the federal travel regs. Federal travel regs issued by GSA in 2011 describe incidental expenses as fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships. Transportation between places of lodging or business and places where meals are taken, and the mailing cost associated with filing travel vouchers and payment of employer-sponsored charge card billings, are excluded from the GSA definition of incidental expenses. The rate for the incidental expenses only deduction is $5 per day for post-September 30, 2015 travel.

Transportation industry

The special transportation industry meals and incidental expense rate for taxpayers in the transportation industry is $63 for any locality of travel in CONUS. The special transportation industry M&IE expense rate is $68 for any locality of travel outside the continental United States.

Effective date

Notice 2015-63 is effective for per diem allowances for lodging, meal and incidental expenses, or for meal and incidental expenses only, paid to any employee on or after October 1, 2015, for travel away from home on or after October 1, 2015. For purposes of computing the amount allowable as a deduction for travel away from home, Notice 2015-63 is effective for meal and incidental expenses or for incidental expenses only paid or incurred on or after October 1, 2015.

References: FED ¶46,404; TRC BUSEXP: 24,912.05.

F Reorgs

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Outbound F reorgs

The final regs also address outbound F reorgs. This occurs where the Transferor Corporation is a domestic corporation and the acquiring corporation is a foreign corporation.

- ***Comment.*** The final regs generally apply to transactions occurring on or after September 21, 2015.

References: FED ¶47,036; TRC CCORP: 39,100.

IRS Plans Regs To Help Avoid Duplicate ACA Reporting; More Guidance In Pipeline

Notice 2015-68

The IRS has announced that more ACA guidance is being developed. The agency is preparing regs on reporting of minimum essential coverage (to avoid duplicate reporting), catastrophic health plans, expatriate health plans, and more.

Duplicate reporting

Future guidance will replace the supplemental coverage rule under Reg. §1.6055-1(d)(2). This guidance is intended to eliminate duplicate reporting of an individual's minimum essential coverage where reasonable certainty exists that the provider of the "primary" coverage will report, the IRS explained. The new guidance would clarify that (1) if an individual is covered by multiple minimum essential coverage plans or programs provided by the same provider, reporting is required for only one of them; and (2) reporting generally is not required for an individual's minimum essential coverage for which an individual is eligible only if the individual is covered by other minimum essential coverage for which Code Sec. 6055 reporting is required.

- ***Example.*** If Letizia is enrolled in both her employer's Health Reimbursement Arrangement (HRA) and insured group health plan, the employer would not required to report the employee's coverage under the HRA, the IRS explained. However, if Letizia is enrolled in her employer's HRA and in a spouse's non-HRA group health plan, Letizia's employer would be required to report for the HRA, and the employee's spouse's employer (or the health insurance issuer or carrier, if the plan is insured) would be required to report for the non-HRA group health plan coverage.

The IRS also plans to issue regs requiring issuers of catastrophic health insurance plans to report the coverage on Form 1095-B, Health Coverage. The IRS indicated that the reporting requirement would apply to coverage in 2016 and to returns and statements filed and furnished in 2017.

References: FED ¶46,405; TRC HEALTH: 6,104.

IRS Clarifies RIC/Controlled Subsidiary Relationship

TD 9737, Rev. Proc. 2015-45

Final regs revise some examples in Reg. §1.851-5 to clarify that a regulated investment company (RIC) and its controlled subsidiary are a controlled group even if the group consists of only that RIC and its subsidiary.

■ ***Take Away.*** The IRS released Rev. Proc. 2015-45 at the same time as TD 9737. Rev. Proc. 2015-45 describes when the IRS will treat an "Upper RIC" that invests in one or more "Lower RICs" (in a Fund of Funds structure, the IRS explained) as satisfying the 25 percent tests discussed below.

Background

To qualify as a RIC, a taxpayer must meet asset diversification tests under which at the close of each quarter of the RIC's tax year, not more than 25 percent of the value of the taxpayer's total assets may be invested in certain securities. The controlled group rules under Code Sec. 851(c)(1) provide that, when ascertaining the value of a taxpayer's investment in the securities of an issuer for purposes of determining whether the 25 percent tests have been met, the taxpayer's proper proportion of any investment in the securities of such issuer that are held by a member of the taxpayer's "controlled group" must be aggregated with the taxpayer's investment in such issuer, as determined under regulations.

■ ***Comment.*** Code Sec. 851(c)(3) defines a controlled group as one or more chains of corporations connected through stock ownership with the taxpayer if (i) 20 percent or more of the total combined voting power of all classes of stock entitled to vote of each of the corporations (except the taxpayer) is owned directly by one or more of the other corporations, and (ii) the taxpayer owns directly at least 20 percent or more of the total combined voting power of all classes of stock entitled to vote of at least one of the other corporations.

Clarifications

The final regs affirm that the controlled group rules should apply to Code Sec. 851(b)(3)(B)(iii). The IRS explained that Congress specifically provided that a RIC's investment in QPTP securities should be limited to 25 percent of the RIC's total asset value. The controlled group rules of Code Sec. 851(c) by their terms apply to all of Code Sec. 851(b)(3). Additionally, the IRS explained that Congress did not carve out Code Sec. 851(b)(3)(B)(iii) when it updated Code Sec. 851(c).

References: FED ¶¶46,397, 47,033; TRC RIC: 3,064.10.

AFRs Issued For October 2015

Rev. Rul. 2015-21

The IRS has released the short-term, mid-term, and long-term applicable interest rates for October 2015.

Applicable Federal Rates (AFR) for October 2015

Short-Term	Annual	Semiannual	Quarterly	Monthly
AFR	.55%	.55%	.55%	.55%
110% AFR	.61%	.61%	.61%	.61%
120% AFR	.66%	.66%	.66%	.66%
130% AFR	.72%	.72%	.72%	.72%
Mid-Term				
AFR	1.67%	1.66%	1.66%	1.65%
110% AFR	1.84%	1.83%	1.83%	1.82%
120% AFR	2.00%	1.99%	1.99%	1.98%
130% AFR	2.17%	2.16%	2.15%	2.15%
150% AFR	2.51%	2.49%	2.48%	2.48%
175% AFR	2.93%	2.91%	2.90%	2.89%
Long-Term				
AFR	2.58%	2.56%	2.55%	2.55%
110% AFR	2.84%	2.82%	2.81%	2.80%
120% AFR	3.09%	3.07%	3.06%	3.05%
130% AFR	3.36%	3.33%	3.32%	3.31%

Adjusted AFRs for October 2015

	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	.42%	.42%	.42%	.42%
Mid-term adjusted AFR	1.58%	1.57%	1.57%	1.56%
Long-term adjusted AFR	2.58%	2.56%	2.55%	2.55%

The Code Sec. 382 adjusted federal long-term rate is 2.58%; the long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months) is 2.82%; the Code Sec. 42(b)(2) appropriate percentages for the 70% and 30% present value low-income housing credit are 7.49% and 3.21%, respectively, however, the appropriate percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before January 1, 2015, shall not be less than 9%; and the Code Sec. 7520 AFR for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest is 2.0%.

References: FED ¶46,406; TRC ACCTNG: 36,162.05.

TAX BRIEFS

Internal Revenue Service

A bond issuer did not use an abusive arbitrage device, as defined by Reg. §1.148-10(a)(2), in connection with the refunding bonds.

Technical Advice Memorandum 201538013; TRC SALES: 51,506

The IRS released the applicable terminal charge and the Standard Industry Fare Level (SIFL) mileage rates for the second half of 2015 for use in determining the value of noncommercial flights on employer-provided aircraft for taxation of fringe benefits.

Rev. Rul. 2015-20, FED ¶46,407; TRC COMPEN: 33,202.10

The IRS provided guidance clarifying that excise taxes under Code Sec. 4944 will not be imposed as a result of investments made by a private foundation that (1) are not program-related investments, but (2) are made at least partially for charitable purposes.

Notice 2015-62, FED ¶46,402; TRC EXEMPT: 24,608

The IRS updated its list of counties where victims of severe storms, tornadoes, straight-line winds, flooding, landslides and mudslides that took place beginning on July 11, 2015 in parts of Kentucky may qualify for tax relief from the IRS.

Kentucky Disaster Relief Notice Updated (KY-2015-13), FED ¶46,383; TRC FILEIND: 15,204.25

The IRS issued guidance on the tax treatment of *per capita* distributions to members of Indian tribes of funds held in trust by the Interior Secretary.

Notice 2015-67, FED ¶46,408; TRC INDIV: 33,502

The IRS released proposed regs on information reporting by donee organizations under the exception to the contemporaneous written acknowledgment requirement, for substantiating charitable contribution deductions of $250 or more.

NPRM REG-138344-13, FED ¶49,668; TRC INDIV: 51,454.10

New guidance describes how to request an economic hardship waiver from e-filing Form 5500-EZ or Form 8955-SSA.

Rev. Proc. 2015-47, FED ¶46,401; TRC RETIRE: 51,356.05

Jurisdiction

A complaint seeking declaratory and injunctive relief, tax refund and damages for alleged improper assessment and collection of taxes was dismissed for lack of subject matter jurisdiction and failure to state a claim.

Yusuf, DC Minn., 2015-2 USTC ¶50,483; TRC LITIG: 9,054

A married couple's claim for a refund was dismissed for lack of subject matter jurisdiction. The claim was untimely and the limitations period could not be tolled under Code Sec. 6511(h).

Reilly, DC Calif., 2015-2 USTC ¶50,477; TRC IRS: 36,052.05

Individual partners' refund claims were dismissed for lack of subject matter jurisdiction.

Rodgers, DC Tex., 2015-2 USTC ¶50,475; TRC PART: 60,056

An individual's suit seeking a refund of taxes and penalties and damages for an alleged wrongful levy on his Social Security benefits was dismissed for lack of jurisdiction.

Cooper, FedCl, 2015-2 USTC ¶50,476; TRC IRS: 45,152

Deductions

Married individuals were properly denied deductions for rental real estate losses and employee business expenses.

Robinson, CA-4, 2015-2 USTC ¶50,481; TRC INDIV: 36,050

A married couple improperly carried forward a net operating loss (NOL) without first carrying it back or electing to waive the carryback.

Larkin, CA-11, 2015-2 USTC ¶50,480; TRC IRS: 33,400

A couple's rental expense deductions for a single-family house they constructed were limited by Code Sec. 280A because their daughter used it for personal purposes.

Okonkwo, TC, Dec. 60,404(M), FED ¶48,114(M); TRC BUSEXP: 27,050

Liens and Levies

An IRS settlement officer (SO) did not abuse her discretion by rejecting her offer-in-compromise (OIC). The taxpayer did not provide additional information to support a finding of economic hardship.

Thomas, TC, Dec. 60,407(M), FED ¶48,117(M); TRC IRS: 51,056.25

Tax Court Grants Whistleblowers' Motion To Compel IRS To Produce Record

The Tax Court has granted motions to compel production of documents filed by three whistleblowers whose reward claims the IRS had denied. The Tax Court found that the discovery requests were for information that was relevant to the issue in dispute and granted the motions.

Background. Three whistleblowers provided information to the IRS about a tax evasion scheme. After the IRS denied them awards, they moved to compel production of documents relating to the case. The IRS refused the production requests on the basis that the information sought was not within the "administrative record" and, therefore, was beyond the scope of discovery.

Court's analysis. The Tax Court found that the IRS's argument was not a sufficient basis to deny the whistleblowers' production requests. The question of whether the IRS had collected any proceeds as a result of the whistleblowers' information constituted one of the very basic factual inquiries required by Code Sec. 7623(b).

Whistleblower One 10683-13W, 145 TC No. 8; Dec. 60,406; TRC IRS: 3,118.

Wolters Kluwer Projects 2016 Tax Rate Brackets And Other Inflation-Adjusted Figures

The U.S. Department of Labor has released the Consumer Price Index (all urban) for August 2015, which is the last statistic needed to compute the inflation adjustments for the 2016 tax brackets and many of the deductions and credits that are built into the Tax Code. Although the IRS traditionally does not release these figures officially until later in the year, Wolters Kluwer has projected the inflation-adjusted figures for 2016 using the formulas specified in the Tax Code.

2016 tax schedules

Married Filing Jointly (and Surviving Spouses)

Not over $18,550	10% of taxable income
$18,550 to $75,300	$1,855 + 15% of taxable income in excess of $18,550
$75,300 to $151,900	$10,367.50 + 25% of taxable income in excess of $75,300
$151,900 to $231,450	$29,517.50 + 28% of taxable income in excess of $151,900
$231,450 to $413,350	$51,791.50 + 33% of taxable income in excess of $231,450
$413,350 to $466,950	$111,818.50 + 35% of taxable income in excess of $413,350
Over $466,950	$130,578.50 + 39.6% of taxable income in excess of $466,950

Head of Household

Not over $13,250	10% of taxable income
$13,250 to $50,400	$1,325 + 15% of taxable income in excess of $13,250
$50,400 to $130,150	$6,897.50 + 25% of taxable income in excess of $50,400
$130,150 to $210,800	$26,835 + 28% of taxable income in excess of $130,150
$210,800 to $413,350	$49,417 + 33% of taxable income in excess of $210,800
$413,350 to $441,000	$116,258.50 + 35% of taxable income in excess of $413,350
Over $441,000	$125,936 + 39.6% of taxable income in excess of $441,000

Single (Other than Heads of Household and Surviving Spouses)

Not over $9,275	10% of taxable income
$9,275 to $37,650	$927.50 + 15% of taxable income in excess of $9,275
$37,650 to $91,150	$5,183.75 + 25% of taxable income in excess of $37,650
$91,150 to $190,150	$18,558.75 + 28% of taxable income in excess of $91,150
$190,150 to $413,350	$46,278.75 + 33% of taxable income in excess of $190,150
$413,350 to $415,050	$119,934.75 + 35% of taxable income in excess of $413,350
Over $415,050	$120,529.75 + 39.6% of taxable income in excess of $415,050

Married Filing Separate

Not over $9,275	10% of taxable income
$9,275 to $37,650	$927.50 + 15% of excess over $9,275
$37,650 to $75,950	$5,183.75 + 25% of excess over $37,650
$75,950 to $115,725	$14,758.75 + 28% of excess over $75,950
$115,725 to $206,675	$25,895.75 + 33% of excess over $115,725
$206,675 to $233,475	$55,909.25 + 35% of excess over $206,675
Over $233,475	$65,289.25 + 39.6% of excess over $233,475

Estates and Trusts

Not over $2,550	15% of taxable income
$2,550 to $5,950	$382.50 + 25% of taxable income in excess of $2,550
$5,950 to $9,050	$1,232.50 + 28% of taxable income in excess of $5,950
$9,050 to $12,400	$2,100.50 + 33% of taxable income in excess of $9,050
Over $12,400	$3,206 + 39.6% of taxable income in excess of $12,400

2016 personal exemption

For 2016 the personal exemption will increase to $4,050, up from $4,000 in 2015. The phaseout of the personal exemption for higher income taxpayers will begin after taxpayers pass the same income thresholds set forth for the limitation on itemized deductions, detailed below.

- ***Comment.*** The personal exemption will completely phase-out when income surpasses the following levels: $433,800 (married joint filers); $407,850 (Heads of household); $381,900 (unmarried taxpayers); and $216,900 (married filing separate).

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WASHINGTON REPORT *by the Wolters Kluwer Washington News Bureau*

Ways and Means takes up more tax extenders, health care bills

The House Ways and Means Committee on September 17 approved five tax provisions in stand-alone bills that are typically part of an extenders package. The extenders moved by the committee include the Educator Tax Relief Bill of 2015 (HR 2940), which makes permanent the above-the-line deduction for classroom expenses of schoolteachers; the Restaurant and Retail Jobs and Growth Bill (HR 765), which makes permanent the 15-year depreciation schedule for leasehold improvements, restaurant improvements and new construction, and retail improvements; HR 2510, which would make permanent bonus depreciation; and HR 961, which permanently extends the Subpart F exemption for active financing income.

- ***Comment.*** The House has approved a number of stand-alone extenders bills. The Senate Finance Committee, on the other hand, has voted to extend the provisions in a single bill. "It would be nice if Congress came together on an agreement that would make a few of these expired extender provisions permanent, but it is an uphill battle," Dustin Stamper, director, Washington National Tax Office, Grant Thornton LLP, told Wolters Kluwer. "The most likely scenario remains a last-minute, temporary extension sometime in November or December."

The Ways and Means Committee also approved the Equitable Access to Care and Health (EACH) Bill (HR 2061), which would expand the religious-liberty exemption to the individual mandate. Another bill, the Restoring Access to Medication Bill of 2015 (HR 1270), would allow individuals to use health savings accounts (HSAs) and flexible spending accounts (FSAs) to purchase over-the-counter medicines.

SFC postpones mark-up of return preparer bill

Senate Finance Committee (SFC) Chair Orrin Hatch, R-Utah, announced on September 16 that he had postponed the committee's scheduled mark-up of a bill to regulate return preparers. The proposed bill would have provided the IRS with authority to regulate paid tax return preparers. The bill also would authorize the IRS to revoke preparer tax identification numbers (PTINs) for failure to comply with regulations. According to reports, Hatch decided to postpone the mark-up of the bill after learning of push-back from some members of the SFC who were opposed to expanding the IRS's authority over preparers. At press time, Hatch had not rescheduled the mark-up of the return preparer bill.

Bipartisan bill would repeal ACA's "Cadillac plan" tax

Sens. Dean Heller, R-Nev., and Martin Heinrich, D-N.M., on September 17 introduced bipartisan legislation to repeal a provision in the Affordable Care Act (ACA) known as the "Cadillac plan" excise tax. The ACA imposes a 40 percent excise tax on health coverage providers starting in 2018 to the extent that the aggregate value of employer-sponsored health coverage for an employee exceeds a threshold amount.

"My hope is that reasonable members of Congress on both sides of the aisle will join us in this important, bipartisan endeavor to protect middle-class Americans," Heller said in a statement. The impact of the excise tax is becoming clearer as businesses, workers and municipalities grapple with benefits planning today in advance of the 2018 deadline, the lawmaker noted.

U.S. moves to uncover offshore accounts in Belize

The Department of Justice (DOJ) has announced that a federal court in Miami has authorized the IRS to serve a "John Doe" summons seeking information about U.S. taxpayers who may hold offshore accounts at Belize Bank International Limited (BBIL) or Belize Bank Limited (BBL). The IRS uses John Doe summonses to obtain information about possible violations of internal revenue laws, failure to report income, or evasion of income taxes by individuals whose identities are unknown. Also the John Doe summons can let the IRS obtain records of money deposited, paid out through checks and moved through the correspondent account through wire transfers, the DOJ reported.

"This court action further demonstrates our relentless efforts to pursue and catch those evading taxes with hidden offshore accounts no matter where they are or what structures are used to hide behind," IRS Commissioner John Koskinen said in a statement.

TIGTA reviews IRS's performance during 2015 filing season

The Treasury Inspector General for Tax Administration (TIGTA) has released a report on the 2015 filing season. The objective of the review was to determine whether the IRS timely and accurately processed returns during the 2015 filing season.

TIGTA reported the percentage of e-filed individual income tax returns prepared by return preparers only increased 0.20 percent during the 2015 filing season, compared to the 2014 filing season. In contrast, the percentage of returns prepared by taxpayers using home computers increased 5.84 percent during the 2015 filing season, compared to the 2014 filing season.

TIGTA also found errors in IRS processes that resulted in the incorrect disallowance of educator expense deductions and residential energy credits. This resulted from incorrect educator expense procedures used by tax examiners and a computer programming error as well as tax examiners not following procedures when working residential energy credit claim, TIGTA reported.

Additionally, TIGTA reported that the IRS continued to expand its efforts to detect tax refund fraud and that it identified 163,087 tax returns with more than $908.3 million claimed in fraudulent refunds and prevented the issuance of approximately $787 million (86.6 percent) in fraudulent refunds.

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2016 standard deduction

For 2016, the standard deduction will be as follows: $6,300 for unmarried taxpayers and married separate filers (the same as for 2015). For married joint filers, the standard deduction will remain $12,600, also the same as for 2015. For heads of household, however, the standard deduction will increase to $9,300, up from $9,250 for 2015.

The 2016 standard deduction for an individual claimed as a dependent on another taxpayer's return is either: $1,050 or $350 plus the dependent's earned income, whichever is greater. These amounts have not increased from 2015.

The additional standard deduction for the blind and aged who file as married taxpayers remains $1,250. For unmarried aged or blind taxpayers, the amount of the additional standard deduction also remains $1,550.

Limitation on itemized deductions

For higher income taxpayers who itemize their deductions, the limitation on itemized deductions for 2016 will be imposed at income above levels:

- For married couples filing joint returns or surviving spouses, the income threshold will be $311,300, up from $309,900 for 2015.
- For heads of household, the threshold will be $285,350, up from $284,050 in 2015.
- For single taxpayers, the threshold will be $259,400, up from $258,250 in 2015.
- For married taxpayers filing separate returns, the 2016 threshold will be $155,650, up from $154,950 for 2015.

AMT exemptions

Wolters Kluwer projects that, for 2016, the AMT exemption for married joint filers and surviving spouses will be $83,800 (up from $83,400 in 2015). For heads of household and unmarried single filers, the exemption will be $53,900 (up from $53,600 in 2015). For married separate filers, the exemption will be $41,900, up from ($41,700 in 2015). For estates and trusts, the exemption will be $23,900 (up from $23,800 in 2015.)

For a child to whom the so-called "kiddie tax" under Code Sec. 1(g) applies, the exemption amount for AMT purposes may not exceed the sum of the child's earned income for the tax year, plus $7,400 (the same as for 2015).

Other adjusted amounts

IRA Contributions. The maximum amount of deductible contributions that can be made to an IRA will remain the same for 2016, at $5,500 (or $6,500 for taxpayers eligible to make catch-up contributions). For 2016, the allowable amount of deductible IRA contributions will phaseout for married joint filers whose income is between than $98,000 and $118,000 (if both spouses are covered by a retirement plan at work). This amount remains the same as for 2015. However, the income phaseout ranges increase for married joint filers with only one spouse covered by a retirement plan through work: For these filers, the phaseout range for 2016 will be $184,000 to $194,000, up from $183,000 to $193,000 for 2015.

For heads of household and unmarried filers who are covered by a retirement plan at work, the 2016 income phaseout range for deductible IRA contributions is $61,000 to $71,000, the same as for 2015.

Adoption credit. The adoption credit for 2016 increases to $13,460, up from $13,400 for 2015. The income phaseout range for the credit will be $201,920 to $241,920 for 2016.

Saver's Credit. For 2016, the saver's credit will be available based on maximum AGI limit and filing status as follows: joint filers: $37,000, AGI for a 50-percent credit, $40,000 for a 20-percent credit, and $61,500 for a 10-percent credit; heads of household: $27,750, AGI for a 50-percent credit, $30,000 for a 20-percent credit, and $46,125 for a 10-percent credit; other filers: $18,500 AGI for a 50-percent credit, $20,000 for a 20-percent credit, and $30,750 for a 10-percent credit.

Education Savings Bond Interest Exclusion. When U.S. savings bonds are redeemed to pay expenses for higher education, the interest may be excluded from income if the taxpayer's income is below a certain range. For 2016, the phase-out range for single filers will be from $77,550 to $92,550 (up from $77,200 to $92,200 for 2015). For joint filers the 2016 phase-out range will be $116,300 to $146,300 (up from $115,750 to $145,750 for 2015).

Medical Savings Accounts. The minimum–maximum range for premiums used to determine whether a medical savings account (MSA) is tied to a high deductible health plan for 2016 will be $2,250 to $3,350 for self-only coverage (up from $2,200 to $3,300 for 2015) and $4,450 to $6,700 for family coverage (up from $4,450 to $6,650 for 2015).

Self-only coverage plans are subject to a $4,450 maximum amount for annual out-of-pocket costs (the same as for 2015). Family coverage plans have a $8,150 annual limit (also the same as for 2015).

Limitation on Flexible Spending Arrangements (FSAs). The limitation on the amount of salary reductions an employee may elect to contribute to a cafeteria plan under an FSA remains $2,550 for 2016.

Long-term Care Insurance. The per diem exclusion for long-term care insurance proceeds for 2016 will be $340 per day, up from $330 for 2015. The dollar level of long-care premiums deductible as health insurance premiums will range from $390 for those 40 years or younger to $4,870 for those over 70 years of age.

Qualified Transportation Fringe Benefits. For 2016 the monthly cap on the exclusion for transit passes and for commuter highway vehicles will be $130, the same as it was for 2015 (parity between transit and parking benefits expired at the end of 2014). The monthly cap on qualified parking benefits will be $255, up from $250 for 2015.

- ***Comment.*** The *Tax Increase Prevention Act of 2014 (TIPA)* retroactively extended parity between the two different types of transit benefits for the 2014 tax year. No such bill has yet been passed by Congress for 2015 or 2016.

Estate and Gift Tax. The gift tax annual exemption for 2016 will remain the same for 2015, at $14,000. However, the estate and gift tax applicable exclusion will increase from $5,430,000 in 2015 to $5,450,000 for 2016.

Gifts to Noncitizen Spouses. The first $148,000 of gifts made in 2016 to a spouse who is not a U.S. citizen will not be included in taxable gifts.

Foreign Earned Income/Housing. The amount of the 2016 foreign earned income exclusion under Code Sec. 911 will be $101,300, up from $100,800 for 2015. The maximum foreign earned income housing deduction for 2016 will be $30,390, up from $30,240 for 2015.

Reporting of Foreign Gifts. The 2016 threshold amount for foreign gifts for purposes of the Code Sec. 6039F reporting requirement increases to $15,671, up from $15,601 for 2015.

COMPLIANCE CALENDAR

■ September 25
Employers deposit Social Security, Medicare, and withheld income tax for September 19, 20, 21, and 22.

■ September 30
Employers deposit Social Security, Medicare, and withheld income tax for September 23, 24, and 25.

■ October 2
Employers deposit Social Security, Medicare, and withheld income tax for September 26, 27, 28, and 29.

■ October 7
Employers deposit Social Security, Medicare, and withheld income tax for September 30, October 1, and 2.

■ October 9
Employers deposit Social Security, Medicare, and withheld income tax for October 3, 4, 5, and 6.

■ October 13
Employees report tips of $20 or more earned during September.

TRC TEXT REFERENCE TABLE

The cross references at the end of the articles in Wolters Kluwer Federal Tax Weekly (FTW) are text references to Tax Research Consultant (TRC). The following is a table of TRC text references to developments reported in FTW since the last release of New Developments.

ACCTNG 36,162.05	459	INTL 15,054.10	455	PAYROLL 6,106	443
BUSEXP 12,066	444	INTL 15,210	395	PENALTY 3,252.10	419
BUSEXP 24,912.05	458	INTL 24,300	420	PENALTY 3,304	407
CCORP 39,100	457	INTL 36,050	454	PENALTY 9,152	436
COMPEN 3,050	408	INTLOUT 3,100	444	PENALTY 18,100	420
DEPR 3,400	453	INTLOUT 9,106.05	430	REAL 6,156.33	421
ESTGIFT 60,256	441	INTLOUT 9,254	429	REORG 30,106.10	456
FILEBUS 9,158	411	INTLOUT 21,054.05	432	RETIRE 30,502	445
FILEBUS 9,206	410	IRS 3,118	460	RETIRE 30,650	421
FILEIND 9,100	435	IRS 3,200	448	RETIRE 57,212.20	431
HEALTH 3,300	433	IRS 9,206.15	434	RETIRE 60,312	407
HEALTH 3,310	433	IRS 9,402	422	RETIRE 75,454.10	446
HEALTH 6,104	458	IRS 24,300	445	RETIRE 78,052.10	350
HEALTH 6,106	406	IRS 30,052	434	RIC 3,064.10	459
INDIV 6,364.10	424	IRS 48,058	408	SALES 6,156	405
INDIV 6,368	394	LITIG 3,104.35	385	SALES 12,154.20	446
INDIV 21,206.05	409	PART 60,500	422	SALES 39,000	383
INDIV 36,054	399	PAYROLL 3,404	447	SCORP 352.35	363
INTL 3,558.25	457	PAYROLL 6,106	409		

MONTHLY QUIZZER

The following questions (with answers at the bottom of the column) will help you review some of the more important developments in Wolters Kluwer Federal Tax Weekly during the past month.

Q1. For 2016, the standard deduction for married couples filing jointly is projected to be:

(a) $900
(b) $1,000
(c) $1,100
(d) None of the above

Q2. The IRS issued proposed regs on a new tax that applies to transfers of property from individuals who abandoned U.S. citizenship or residency and who later make a gift or bequest to U.S. taxpayers (individuals and domestic trusts). *True or False?*

Q3. Newly proposed regs provide that employer-sponsored plans that fail to provide substantial coverage for inpatient hospitalization or physician services do not provide _____ under the *Affordable Care Act* (ACA)?

(a) Affordable coverage
(b) Minimum value
(c) Substantiation
(d) None of the above

Q4. The IRS recently announced that it would penalize certain educational institutions that filed Form 1098-T, Tuition Statement, with incorrect or missing taxpayer identification numbers (TIN) for tax years 2012, 2013 and 2014. *True or False?*

Answers:

Q1. *(d), See Issue #39, page 461.*

Q2. *True, See Issue #38, page 441.*

Q3. *(b), See Issue #37, page 433.*

Q4. *False, See Issue #36, page 420.*