

Thank you for joining us today at

Ledgent CPE University

LEDGENT.COM

We love to create remarkable experiences ... every person, every time.®



Tax Report



A Roth Staffing Company

866.702.6670

Ledgent.com

CPE Quizzer Answer Sheet

CHECKPOINT LEARNING

CPE Network Tax Report

CPEN001

03/22

You will have one year from your date of receipt to complete this program and submit the quizzer in order to obtain credit.

First Name: _____

Last Name: _____

Firm Name: _____

Firm Address: _____

City: _____ State /ZIP: _____

Firm Phone: _____ Fax No: _____

Firm Fax No: _____

Email: _____

Licensing State: _____ License No: _____

CFP License (if applicable): _____ PTIN No. (if applicable): _____

A Certificate of Completion will be issued with a passing grade of 70 percent or better **within three (3) weeks of submission**. You will be sent a make-up test if you fail. You are responsible for submitting a CPE Reporting Form to your State Board or professional organization. Contact your State Board for complete information regarding your status or requirements.

Mail to: Thomson Reuters-PO Box 115008, Carrollton, TX 75011-5008

Email: CPLGrading@thomsonreuters.com

FAX: 1-888-286-9070

ANSWERS:

Please indicate your answer by filling in the appropriate circle as shown: Fill in like this ☒ not like this / ☐ ☐ ☐ ☐ ☐

- | | A | B | C | D |
|----|-----------------------|-----------------------|-----------------------|-----------------------|
| 1. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 2. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- | | A | B | C | D |
|----|-----------------------|-----------------------|-----------------------|-----------------------|
| 5. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 6. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 7. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 8. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- | | A | B | C | D |
|-----|-----------------------|-----------------------|-----------------------|-----------------------|
| 9. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 10. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 11. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 12. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- | | A | B | C | D |
|-----|-----------------------|-----------------------|-----------------------|-----------------------|
| 13. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 14. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 15. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

CHECKPOINT LEARNING

Contact us at: 2395 Midway Rd., Carrollton, TX 75006
checkpoint.learning.cpecustomerservice@tr.com
800.431.9025

CPE NETWORK TAX REPORT

MARCH 2022

VOLUME 35, ISSUE 3

| | |
|---|----|
| EXECUTIVE SUMMARY | 1 |
| EXPERT ANALYSIS AND COMMENTARY | |
| PART 1. CURRENT DEVELOPMENTS | |
| Experts' Forum..... | 3 |
| SUPPLEMENTAL MATERIALS | |
| Current Material: Experts' Forum | 9 |
| A. Revenue Procedure 2022-13..... | 9 |
| B. Revenue Procedure 2022-14..... | 9 |
| C. Notice 2022-8 | 9 |
| D. ABA Tax Meeting | 9 |
| E. Chief Counsel Advice 202204008 | 10 |
| F. Private Letter Ruling 202205022..... | 10 |
| G. Chief Counsel Advice 202204007 | 11 |
| GROUP STUDY MATERIALS | |
| A. Discussion Problems..... | 13 |
| B. Suggested Answers to Discussion Problems..... | 14 |
| PART 2. INDIVIDUAL TAXATION | |
| IRS Forms Update – 2021 Tax Year | 15 |
| SUPPLEMENTAL MATERIALS | |
| Understanding Some Form Changes for 2021 | |
| Individual Returns | 25 |
| A. Some New and Revised Schedules and | |
| Forms for 2021 | 25 |
| B. Schedule 8812..... | 25 |
| C. Form 2441, Child and Dependent Care Expenses | 26 |
| D. Form 8962, Premium Tax Credit | 26 |
| E. Form 8915-F, Qualified Disaster | |
| Retirement Plan Distributions..... | 26 |

| | |
|--|-----|
| F. Rev. Proc. 2021-48..... | 27 |
| G. Comprehensive Example | 28 |
| GROUP STUDY MATERIALS | |
| A. Discussion Problems..... | 39 |
| B. Suggested Answers to Discussion Problems | 40 |
| PART 3. BUSINESS TAXATION | |
| Important Filing Considerations – 2021 Tax Year..... | 41 |
| SUPPLEMENTAL MATERIALS | |
| Some Considerations in Filing 2021 | |
| Individual Returns | 49 |
| A. Introduction | 49 |
| B. General Enrolled Agent Information | 49 |
| C. Special Tip When E-filing 2021 Tax Return | 49 |
| D. IRS News Release 2021-217 | 49 |
| E. Temporary Rules for Health and Dependent | |
| Care Flexible Spending Arrangements | 500 |
| F. IRS News Release 2021-255 | 500 |
| G. IRS Letter 6475 | 500 |
| H. IRS Notice 2022-1 | 511 |
| I. Cryptocurrency Form 1040 Reporting..... | 511 |
| GROUP STUDY MATERIALS | |
| A. Discussion Problems..... | 533 |
| B. Suggested Answers to Discussion Problems | 544 |
| GLOSSARY OF KEY TERMS | 555 |
| CUMULATIVE INDEX 2022 | 577 |
| CPE QUIZZER | 59 |

Note: Beginning with the March 2023 edition of the Network programs, DVDs will no longer be shipped by Thomson Reuters. Videos will be available for download or streaming only. For customers wishing to adopt an online only format sooner, please contact your customer representative.

Note: During the current COVID-19 crisis, direct person-to-person contact can be reduced by forwarding this to participants and reminding others that the video is also available online through the CPL player. Additionally, video/discussion/Q&A may be shared via Teams, Zoom, or other conferencing-type software. Participants may submit the quiz for self-study credit, or Group Internet Based credit (similar to a webinar) is now available. Consult the user guide at the end of the newsletter for instructions on how to earn credit in this manner.

Note: While video/discussion/Q&A may be shared via Teams, Zoom, or other conferencing-type software, you must have each of your participants submit the quiz for self-study credit. Refer to the User Guide for best practices.

Attention Enrolled Agents: If you are an IRS Enrolled Agent and wish to get IRS credit for this course, be sure to enter your PTIN into your Checkpoint Learning profile before taking the course.

Attention NCRPs: This course does *not* qualify for AFSP professionals requiring “Federal Tax Law Update” credits.

Topics for future editions may include:

- Centralized partnership audit procedures
- Virtual currency



THOMSON REUTERS®

EXECUTIVE SUMMARY

PART 1. CURRENT DEVELOPMENTS

Experts' Forum..... 3

The field of taxation is dynamic, and practitioners are constantly being confronted by changes through the Courts, the IRS, and Congress. This segment covers some of those changes since the last program.

Learning Objective: Upon completion of this segment, the user should be able to analyze current issues in taxation, including analyzing the requirements to file in Tax Court for review of an employment tax determination, assessing the use of FAQs to avoid penalties, and determining the requirements for Section 403(b) pre-approved plans. [*Running time 27:23*]

PART 2. INDIVIDUAL TAXATION

IRS Forms Update – 2021 Tax Year..... 15

There have been a number of schedule and form changes for 2021 that need to be reviewed by practitioners. These forms and schedules will be required for many individual taxpayers. This material summarizes some of those changes and provides a comprehensive example of preparing the forms and schedules as well as the impact on other forms.

Learning Objective: Upon completion of this segment, the user should be able to analyze issues related to IRS schedule and form revisions, including Schedule 8812 and the child tax credit, Form 8962 and the premium tax credit, and Form 8915-F and qualified disaster retirement plan distributions. [*Running time 48:00*]

PART 3. BUSINESS TAXATION

Important Filing Considerations – 2021 Tax Year.....41

There are a number of issues that practitioners must pay close attention to in filing a 2021 Form 1040 for a client. This material summarizes some of the major considerations.

Learning Objective: Upon completion of this segment, the user should be able to analyze issues related to filing 2021 Form 1040, including analyzing Letter 6419 and the child tax credit (CTC), analyzing Letter 6475 and the economic impact payments received, and determining the reporting of virtual currency. [*Running time 39:53*]

ABOUT THE SPEAKERS

Ian J. Redpath, JD, LLM, is a nationally recognized tax attorney and consultant from Buffalo, New York and is a principal in the Redpath Law Offices. Mr. Redpath has published numerous articles on contemporary tax issues and co-authored several books on tax topics. He has extensive national and international experience in developing, writing, and presenting professional CPE programs. In addition to his active tax practice, he serves as Chairman of the Department of Accounting and Director of Graduate Accounting Programs as well as Professor of Taxation and Forensic Accounting at Canisius College in Buffalo.

Karen Davis, EA, MBA, PhD is an enrolled agent with over 15 years of tax experience. She is a tax specialist and works for T.M. Byxbee Company in Hamden, Connecticut, where her areas of responsibility include tax research, tax planning and preparation, responding to IRS and state notices, representing clients at audit, developing and presenting in-house CPE, and staff training.

Robert C. Lickwar, CPA is a tax partner with the accounting firm of UHY LLP in Farmington, Connecticut. Mr. Lickwar has more than 30 years' experience in public practice and has worked exclusively with privately held businesses and owners to provide compliance services and sophisticated tax planning strategies, including like-kind exchanges, tax-efficient workouts and restructurings, reorganizations, and estate planning services. He is also a nationally recognized presenter on many federal, state, and local issues.

Be sure to include the completed sheet when you request certificates for this event.

| | |
|------------------------------------|--|
| Title of Course (Enter full title) | |
| Date of Class (MM/DD/YYYY) | |
| Time (Enter time of class) | |
| Location (Enter location of class) | |

| | |
|--|---|
| Learning Objectives (Refer to executive summary) | |
| Program Description (Refer to executive summary) | |
| Instructional delivery method | Group Live |
| Recommended CPE credit | 3.0 Credits |
| Recommended field of study(ies) (Refer to executive summary) | |
| Program Level | Update |
| Prerequisites (Circle One) | Basic Accounting and Auditing professional experience |
| | Basic Tax professional experience |
| | Basic Governmental professional experience |
| Advance preparation | None required |
| Course registration and, where applicable, attendance requirements (1) | |

- (1) Insert instructions for your students to register for the class and any other attendance requirements (e.g., bring your laptop, be prepared to work in groups, you will be required to sign in and sign out of the session, etc.)

© 2022 Thomson Reuters/Tax & Accounting. Thomson Reuters, Checkpoint Learning, and the Kinesis logo are trademarks of Thomson Reuters and its affiliated companies. All rights reserved. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a *Committee of the American Bar Association* and *Committee of Publishers and Associations*.

PART 1. CURRENT DEVELOPMENTS

Experts' Forum

This month we join Ian Redpath for Experts' Forum, a popular feature in which we review recent developments in taxation. We begin with a discussion about Revenue Ruling 2022-13, which presents guidance on when and how taxpayers can request review of employment tax determinations.

Let's join Ian.

A. Revenue Procedure 2022-13

Employment Tax Determinations

Mr. Redpath

Hi everybody. I'm Ian Redpath with Network Tax. Welcome to the program. This is the segment where we're going to go over a number of things that have happened since last time we met, from the IRS, the courts, the Chief Counsel. So, we have a number of things that happened, as you know, as you're deep into tax season right now; but having an update is always something that's good to have.

Let's jump right in and look at what's gone on. We're going to start right off with a revenue procedure, Rev. Proc. 2022-13; and the IRS announced that they were providing some level of guidance on how it will issue a notice of employment tax determination related to getting into tax court. The notice is called a 7436 notice. And the reason it's called a 7436 notice is that the code section that we're dealing with is 7436. And that talks about what the jurisdiction is of the tax court in relation to the employment tax issues. So, basically the IRS has maintained and did maintain in its manual that the 7436 notice was required before a taxpayer could go to tax court to challenge a determination. However, the tax court has said, no, no, no, no, no, that's not our jurisdiction. We don't have to wait for a notice. The taxpayer can come in and petition the tax court once there's a determination. So, they looked at the statute, and the statute's talking about a determination. They said the issuance of a notice is just something that's up to the IRS. So, the notice isn't a requirement.

What happened was, taxpayers, the IRS gave them a determination of employee status. They then petitioned, but the IRS had yet to send the notice. So... the IRS said, you can't petition the tax court. They asked the tax court to dismiss the cases, and they said, you have to dismiss it. You have no jurisdiction. They didn't get the

notice yet. The tax court said, that's your issue, IRS. That's not our issue relative to the jurisdiction. Jurisdiction is when there's a determination; that's what the statute says. So, the IRS then went back, and here's what they're doing. They said, okay, we are going to have to change our procedure.

And so, what this does is it changes the entire procedure for a 7436 notice. So, Rev. Proc. 2022-13 provides the detail as to how and when the IRS will issue a notice and then the taxpayer requests the tax court to review the employment tax determination. So, essentially what they're saying is that they're going to do their audit; they're then going to issue the notice. The notice will have on it the time period in which you have to file with the tax court. This would be much like the deficiency notice, the 90-day notice, where it has on it, this is the time that you have to petition the tax court. So, you have 90 days to pay the tax, petition the tax court, or we'll begin collection proceedings. And that 90 day then, there's actually the IRS stamps a date. Be careful. I've seen a couple of those where the date on there is wrong. So, do your own calculation if you have a client that gets that 90-day notice and wants to go to tax court. So here they said, what we're going to do is that notice then, that's going to be the notice we're going to give to say, this is our determination.

So, essentially, they're saying, this isn't kind of something we do, we get around to; that's going to be essentially a deficiency notice setting forth the timeframe to file with the tax court. And so, this revenue procedure is effective as of February 7th, 2022. Now, one thing they did point out here, which I think is important, is they said the filing of an SS-8, the determination of worker status for federal employment tax and income tax withholding purposes—that is not part of this. And they said that a determination under

that is not a 7436 determination. And so, you're not going to get a 7436 notice. They also said a CP2000 adjustment would also not be considered to be something subject to a 7436 notice. Now, one thing they did point out is that prior to the actual determination, they will issue a Letter 950-C, Letter 950-C.

So what do you do when you get a Letter 950-C? Well, that is going to explain the IRS's determination. This is what we're going to be proposing. It says that this is

what the adjustments, the penalties, the additions to tax will be. It then says, essentially, that you'll have the right to either agree to the proposed or to protest it and to go to appeals. So, what's happening is that notice, that Letter 950-C, is going to be kind of equivalent to a 30-day letter, very similar. And then, the notice will serve much like the 90-day letter, the deficiency notice. So again, this revenue procedure, if you have any employment tax issues that you're dealing with, this revenue procedure is effective February 7th, 2022.

B. Revenue Procedure 2022-14

Change in Method of Accounting

The IRS has also given us a new revenue procedure, 2022-14. Nothing big here other than the fact that you should look at this if you are looking at the automatic consent procedures, because this is the update to the

automatic consent procedures for a change in accounting method. So again, if you're looking at that, look at the updated 2022-14.

C. Notice 2022-8

Cumulative Change List for 403(b) Pre-Approved Plans

The IRS has also come out with Notice 22-8; and this is the 2022 cumulative change list. And that's what it is. It's a list for Section 403(b) pre-approved plans. It identifies the changes in 403(b) pre-approved plan requirements that the IRS will consider. This is what we're going to look at when reviewing a plan that is submitted for approval during what is referred to as the second remedial cycle. So, the second remedial cycle, this is going to be looking at plans submitted because it begins May 2nd, 2022 through May 1, 2023. So pre-approved plan providers, that 2022 cumulative list if you're applying for Cycle 2 opinion letters, approving your plan under the pre-approved plan process. And I guess I should say if you're not familiar with that, much like 401(k), the IRS basically has provisions that say these are pre-approved, this is pre-approved language. We're not going to really be looking beyond if you have the pre-approved language. And so, for many, it's kind of a stock

plan. And that's really what this is. This is pre-approved language, pre-approved that the IRS says we don't have to look at this very heavily because we've already looked at it and we've already approved these provisions.

So what the IRS has said, they will review these and, except as they have provided in Notice 2022-8, the IRS will not consider any of the following. They won't consider guidance regulations published or issued after November 1 of 2021; statutes enacted after November 1 of 2021; statutes, regardless of when they're enacted, that become effective in 2022 or later if there's no guidance identified in the notice; the 403(b) requirements that are first effective in 2023 or later, again, regardless of when the requirements were enacted or issued. Again, they have to be, as I said, submitted for approval under this Cycle 2 submission period May 2nd, 2022 to May 1 of 2023.

D. ABA Tax Meeting

FAQ Process Limited to Significant Issues/Equitable Tolling Implications

So, the ABA tax meeting, this issue of FAQs came up and the IRS, they understand that they gave us this, "well, you can rely on it to avoid penalties." So, really what does this really mean? And again, the IRS has said that they want to expand the use of FAQs, but they want to limit the scope of what's cited on any fact sheets,

because the FAQs involve procedural, not substantive, matters. And the procedural category wouldn't include the basis for good faith taxpayer to rely on making substantive decisions. So, they're saying essentially, you can rely on these and we're going to give you information that's procedural, but don't try to carry that

forward to say, I can rely on this to making a substantive decision, for example, on a position being taken on a return. So the FAQ, according to the IRS, the FAQ deals with a procedural thing. It would be misleading to take that forward as related to a substantive. It could be misleading.

In addition, the issue is how long should these be on the website? Can we look at these going back? And the IRS said that when they issued IR-2021-202... it didn't apply to all the questions, that on newly enacted legislation, as well as later updates or revisions of the FAQs, are to be issued as fact sheets, accompanied by news releases, and made available on the IRS website. So, the IRS explained that the use of the fact sheets and online archives applies only to FAQs that provide—and the term is "significant guidance"—on newly enacted legislation and emerging issues, because generally an FAQ isn't something that would come into play in penalty protection. Usually, that's not the case. So, we know this is limited now. And, again, what the IRS is saying here is that this is not as expansive as we may have thought on penalty protection, and that the fact sheets, they're going to be eliminating things from the website. They're not going to be allowing an archival review; but the archives would be available when significant guidance is needed, but on newly enacted legislation and emerging issues. So somewhat limiting it.

Another issue that came up in discussion at the ABA meeting, the American Bar Association tax committee is something that we talked about. And I mentioned, in a couple of programs that there's some growing issue on the jurisdictional requirements, the so-called time requirements to get into tax court—90 days. It's 30 days for some things. And the courts have generally said that this is—and in the Duggan case—if it's one day late, it's late. If you petition late, the tax court, in general, is just going to dismiss it. It was filed after the statute. They said 90 days is 90 days.

And I had a case where the CPA finally brought it forward and I looked at it. And the date that was stamped was wrong. The 90 days had actually expired; and the courts have said, well, there's no relief for that because you've got to know the 90 days. You can't rely on that date that the IRS puts on there; that's just a date. They're just giving you an idea. You should be able to count 90 days. So this has gone back and forth, and there's been a split in the circuit. So we've had a split in the circuit as to whether—is that 90 days hard and fast, or is the potential there of equitable tolling of the statute?

E. Chief Counsel Advice 202204008

Written Supervisory Approval of Penalties

All right, we have a Chief Counsel Advisory, 202204008. And in this, the IRS has confirmed that the Internal Revenue Manual contains instructions on the preferred method of getting written supervisory approval to impose penalties. Essentially, the Internal Revenue Manual instructs the IRS employees to obtain the written supervisory approval of penalties using a specific form. The tax court held that Section 6751 does not require written supervisory approval to be using that form. In other words, not using the form doesn't mean that approval hasn't been received.

And last month, we spoke about a situation where they said the approval was received from the person who was the supervisor throughout the audit, even though at the time of the actual assessment of the penalties, that

person was no longer the supervisor. Their job had changed. The new supervisor did not do the written approval. The first one did. They said, "Well, that was the person who supervised the audit; that constitutes the appropriate, supervisory approval under Section 6751." So, what the IRS is doing is the IRS has said they will now change the Internal Revenue Manual to allow the IRS approval to be by email. So basically, it can be on the form. It could be in the form of a letter. But now it can be simply in the form of written approval by an email. Again, that IRS employee that gets the written supervisory approval of the recommendation for a penalty can get it from an email before issuing the 30-day letter to the taxpayer. Again, the IRS's form in the Internal Revenue Manual [is] no longer going to be required. So again, some changes there.

F. Private Letter Ruling 202205022

Discharge of Indebtedness Income

And then we have a private letter ruling, 202205022. This is an interesting case. What happened here is that there was a discharge of debt and also a 1231 loss taken. Essentially, they didn't elect to exclude the income and then reduce the tax benefits. They didn't elect to do that because they said we've got this large 1231 loss. That's going to offset the income. We don't want to reduce the tax benefits. So, let's not worry about it. Under the state law—so things were a little different—but the state taxing authorities come in and deny the 1231 loss in total.

Now, after the statute of limitations has run, essentially six years later, they petition the IRS to allow them to go back and make the late election to exclude the income because, they said essentially that, this was qualified real property indebtedness. We qualify for the exclusion. Therefore, now we want to go back and make the election, even though we didn't make it at the time. And we knew it was there; we just didn't make it because we didn't think we needed it because we had all these losses and we didn't want to reduce the tax benefits, the basis of depreciable property, et cetera, NOLs. So, the IRS looked at this and said, first off, the reason that you're looking to do this, essentially, the only reason is what? Well, you're not going to get a tax refund. The IRS isn't going to be able to come in and audit simply because we allowed you to make that election going back. Those returns are closed. You're asking to make one election on closed returns and the

intervening years that are closed that might be affected by this. What's the sole reason you're doing this? You're doing this because you've lost that 1231 question in the state. By making this election now because the state piggybacked on the federal, if we let you make this election, you're going to lose the 1231 loss deduction at the state level, but then you're not going to have to pick up that income at the state level. And so, what you're trying to do now is hindsight planning because the state is not allowing you the 1231 loss.

They said, no, you can't do that. Even if it qualified, assuming that it qualified, the election was due [within a] specific period under the regulations; you missed that. And there is nothing here that would allow us or should allow us to give, any type of equitable relief to you by allowing you to go back now and make that election. They said the sole reason is to affect the outcome at the state level proceeding. And that has nothing to do with this. This is hindsight to make an advantageous election that you failed to make at the time because of the state action. And they denied it.

G. Chief Counsel Advice 202204007

Gain from Taxpayer's Stock Sale

One last Chief Counsel Advice, 202204007. Interestingly, the Chief Counsel, they were confronted with a case where essentially the business is online, and what the business does is it's hooking up lessors with lessees of property. And so, the website, lessors would pay a fee, a recurring periodic fee, called the listing fee. Once a lessee then leases property through the website, the lessor agrees to pay a fee based on a percentage of the rent; and the lessees pay the leased facility's rent through the ICS website. So, everything's going through there.

Then, the owners said that this stock when sold qualifies for Section 1202, because if we hold it for

more than five years, the stock is in a C corp, it was issued after August 10th, 1993, that it's a qualified small business and that it's an active trade. But the issue here, to be a qualified small business, the issuing must satisfy the active trade or business requirements of 1202, that it can't involve the performance of services in certain fields. One of those is brokerage services. Those are not considered to be an active trade or business for purposes of 1202. They said, we're not in a brokerage. It's a software; essentially, it's a software business. We have software, and people use the software. We're not brokers. They said, no, no, sorry. The Chief Counsel said, no, no, no. What you're doing are brokerage services. Whether you're doing it directly or you're

doing it through the software, you're involved in brokerage services; therefore, not entitled to the 1202 exclusion.

Well, I want to thank you for being here. Again, every time we get together, there's a lot of great things that are coming out. We could spend hours going over all of the changes. So again, I want to thank you very much. Be safe.

SUPPLEMENTAL MATERIALS

Current Material: Experts' Forum

By Ian J. Redpath, JD, LLM

A. Revenue Procedure 2022-13

Employment Tax Determinations

The IRS has issued guidance on when and how it will issue a Notice of Employment Tax Determination and how taxpayers can petition the Tax Court for review of that notice.

Generally, the Tax Court may review two types of IRS employment tax determinations: (1) worker reclassification determinations, and (2) Section 530 relief determinations (§7436). The IRS has maintained that the Tax Court may only review an IRS employment tax determination if the IRS has issued a Notice of Employment Tax Determination (§7436 Notice). However, in two opinions, the Tax Court clarified that its review of worker classification determinations did

not depend on the IRS issuing a §7436 Notice because the notice was not a jurisdictional requirement. The determination itself gives rise to Tax Court jurisdiction. Accordingly, even when the IRS does not issue a §7436 Notice, a taxpayer may petition the Tax Court for review of a worker reclassification or Section 530 relief determination.

Rev. Proc. 2022-13 provides detailed guidance on how and when it will issue a §7436 Notice and what a taxpayer needs to do to request Tax Court review of an IRS employment tax determination with or without such a notice.

B. Revenue Procedure 2022-14

Change in Method of Accounting

The IRS has updated extensive list of areas to which automatic consent procedures to change method of accounting, as described in Rev. Proc. 2015-13, apply. Rev. Proc. 2011-46, 2011-42 IRB 518, Rev. Rul. 2004-62, 2004-1 CB 1072, Rev. Rul. 2000-7,

2000-1 CB 712, Rev. Rul. 2000-4, 2000-1 CB 331, Rev. Proc. 2007-48, 2007-2 CB 110, and Rev. Proc. 2007-16, 2007-1 CB 358 are modified. Rev. Proc. 2019-43, 2019-48 IRB 1107 is amplified and modified, and superseded in part.

C. Notice 2022-8

Cumulative Change List for 403(b) Pre-Approved Plans

The IRS has provided the 2022 cumulative change list for §403(b) pre-approved plans (2022 cumulative list). The 2022 cumulative list identifies changes in 403(b) pre-approved plan requirements that the IRS will consider when reviewing a plan submitted for approval during the second remedial amendment cycle. Pre-approved plan providers will use the 2022 cumulative

list when applying to the IRS for Cycle 2 opinion letters approving the plan under the IRS's 403(b) pre-approved-plan program. Section 403(b) plans may be submitted to the IRS for approval during the Cycle 2 on-cycle submission period, which begins May 2, 2022, and ends May 1, 2023.

D. ABA Tax Meeting

FAQ Process Limited to Significant Issues/Equitable Tolling Implications

In working to boost transparency of frequently asked questions (FAQs) for taxpayers, the IRS has limited their scope to what's cited on agency fact sheets because some FAQs involve only procedural, not substantive,

matters, an IRS official told an American Bar Association tax conference February 2. The "procedural" category would not provide the basis for a good-faith taxpayer to rely on for making substantive

decisions, explained Ashton "Hap" Trice, deputy associate chief counsel for procedure and administration at the IRS. He spoke on a panel at the ABA tax section's virtual midyear meeting. IR-2021-202 does not apply to all questions.

There was also discussion of "equitable tolling." Circuit courts are split over the application of equitable tolling to petitions in which jurisdictional questions arise. The U.S. Supreme Court's pending decision in the case of a

North Dakota law firm's untimely collection due process (CDP) filing could either have beneficial or negative consequences should the Court rule in favor of the taxpayer, as discussed by a panel at the American Bar Association tax section's virtual midyear conference. Equitable tolling is a legal doctrine that gives a court discretion to disallow a statute of limitations from barring a claim if the plaintiff did not or could not discover the injury until after the expiration of the limitations period, despite due diligence.

E. Chief Counsel Advice 202204008

Written Supervisory Approval of Penalties

In a Chief Counsel Advice email, the IRS has confirmed that, while the Internal Revenue Manual (IRM) contains instructions on the preferred method of obtaining "written supervisory approval" to impose penalties, such authorization can also be provided via email.

The Chief Counsel noted that while the IRM instructs IRS employees to obtain written supervisory approval of penalties using a specific form, the U.S. Tax Court has held that compliance with §6751 does not require written supervisory approval to be given on a specific form and that an email may constitute such approval.

F. Private Letter Ruling 202205022

Discharge of Indebtedness Income

Taxpayers were denied extension to make §108(c)(3)(C) election to exclude from income discharge of qualified real property business indebtedness for stated tax year. Taxpayers did not act reasonably and in good faith because request was based on hindsight, and granting relief would prejudice government's interests because limitations period was closed for stated year and subsequent years affected by late election. Requested 6-year extension also was not reasonable because taxpayers should have discovered missed election before limitations period expired and/or state tax authority disallowed §1231 loss.

Taxpayers engaged an Advisor, a qualified tax professional, to prepare their tax returns for tax year Year 1. There were three entities that are related. The Advisor says he did not advise the taxpayers to make the §108(c)(3)(C) election because based on a large §1231 loss for the year, the income included was essentially negated and saw no benefit to the election. The State taxing authority has now examined Entity 2's state tax return for tax year Year 1 and disallowed the §1231 loss pursuant to §707(b)(1)(B). The State determined that a sale of the Property by Entity 2 to Entity 3 constituted a sale or exchange of property, directly or indirectly, between two partnerships in which the same persons own, directly or indirectly,

more than 50% of the capital interest or profits interests. The state tax matter is currently under appeal pending the resolution of this private letter ruling request. The IRS did not examine Taxpayers' Year 1 Federal income tax return, and the claimed §1231 loss prior to the expiration of the statute of limitations and has no ability to now do so because the statute of limitations has run. The State's tax laws piggy-back on the Federal.

Taxpayers submitted this request late request for an extension of time under §§301.9100-1 and 301.9100-3 to make an election. The representations and facts provided establish that allowing the late election would require amended returns for closed tax years Year 1-Year 3 (and possibly beyond) that would affect each years' computations and amount of tax due; however, Taxpayers concede that the statute of limitation is closed for those years so that Taxpayers may not request a refund and the Service may not examine the returns and/or assess additional tax.

The IRS ruled that the Taxpayers' request for relief under §301.9100-3 is denied. The Taxpayers did not act reasonably and in good faith because the request is based on hindsight and the interests of the Government would be prejudiced by granting the requested relief because the statute of limitations is closed for Year 1

and subsequent years affected by the late election. They also found that the requested six-year extension is not a reasonable extension of time because the Taxpayers should have discovered the missed election before the statute of limitations expired and/or the state tax authority disallowed the §1231 loss. Lastly, they found

that granting relief would not be in the interest of sound tax administration because the expired statute of limitations prevents the IRS from examining Entity 2's and Taxpayers' Year 1 return, as well as subsequent affected returns.

G. Chief Counsel Advice 202204007

Gain from Taxpayer's Stock Sale

In a Chief Counsel Advice, the IRS has determined that a taxpayer was not entitled to exclude from income the gain from the sale of business stock. The business, which facilitates property leasing, provides a brokerage service so its shares are not qualified small business stock under §1202.

To be a qualified small business (QSB), the issuing corporation must satisfy the active trade or business requirement. Section 1202(e)(3)(A) specifically provides that a trade or business involving the performance of services in various fields, including brokerage services, is not an active trade or business. The issuing corporation (IC) provided a searchable website that allowed lessors to list properties for rent and lessees to see what properties were available to rent. As a condition of being listed on IC's website, lessors agreed to pay a recurring periodic fee ("listing fee"). Once a lessee leased a property through IC's website, the lessor also agreed to pay a fee based on a percentage of the rent paid by the lessee. IC required lessees to pay a leased facility's rent through IC's website.

Chief Counsel determined that IC was performing brokerage services and, therefore, was not a QSB.

GROUP STUDY MATERIALS

A. Discussion Problems

Your client has undergone an employment tax audit, and the IRS has made an adverse determination. The client objects to the determination and wants to take it to Tax Court.

In another matter for the client, you have found an FAQ on the IRS website that seems to answer your question.

Another client is considering a §403(b) pre-approved plan.

Required:

1. What would you advise regarding when the Tax Court has jurisdiction for review of employment tax issues?
2. Are there limitations to relieving penalties based on reliance on FAQs?
3. What advice do you have regarding the §403(b) plan?

B. Suggested Answers to Discussion Problems

1. Generally, the Tax Court may review two types of IRS employment tax determinations: (1) worker reclassification determinations, and (2) Section 530 relief determinations (§7436). The IRS has maintained that the Tax Court may only review an IRS employment tax determination if the IRS has issued a Notice of Employment Tax Determination (§7436 Notice). However, in two opinions, the Tax Court clarified that its review of worker classification determinations did not depend on the IRS issuing a §7436 Notice because the notice was not a jurisdictional requirement. The determination itself gives rise to Tax Court jurisdiction. Accordingly, even when the IRS does not issue a §7436 Notice, a taxpayer may petition the Tax Court for review of a worker reclassification or Section 530 relief determination. Rev. Proc. 2022-13 provides detailed guidance on how and when it will issue a §7436 Notice and what a taxpayer needs to do to request Tax Court review of an IRS employment tax determination with or without such a notice.
2. IRS has limited their scope to what's cited on agency fact sheets because some FAQs involve only procedural, not substantive, matters. The "procedural" category would not provide the basis for a good-faith taxpayer to rely on for making substantive decisions. IR-2021-202 does not apply to all questions. So, a determination has to be made as to the type of question involved.
3. In Notice 2022-8, 2022-7 IRB, the IRS has provided the 2022 cumulative change list for §403(b) pre-approved plans (2022 cumulative list). The 2022 cumulative list identifies changes in 403(b) pre-approved plan requirements that the IRS will consider when reviewing a plan submitted for approval during the second remedial amendment cycle. Pre-approved plan providers will use the 2022 cumulative list when applying to the IRS for Cycle 2 opinion letters approving the plan under the IRS's 403(b) pre-approved plan program. Section 403(b) plans may be submitted to the IRS for approval during the Cycle 2 on-cycle submission period, which begins May 2, 2022, and ends May 1, 2023.

PART 2. INDIVIDUAL TAXATION

IRS Forms Update – 2021 Tax Year

The 2022 tax season is now upon us. And with it come new and revised forms for the 2021 tax year. Some of those include Schedule 8812, *Credits for Qualifying Children and Other Dependents*, Form 2441, *Child and Dependent Care Expenses*, Form 8962, *Premium Tax Credit*, and Form 8915-F, *Qualified Disaster Retirement Plan Distributions and Repayments*. Ian Redpath and Karen Davis discuss preparation of these forms and the legislation that impacts them. They also present a detailed example for discussion purposes.

Let's join Ian Redpath and Karen Davis as they present an IRS forms update for the 2021 tax year returns.

Mr. Redpath

Karen, welcome to the program.

Ms. Davis

Thanks for having me, Ian.

Mr. Redpath

Always great to have you here and get your insights. We've had a lot of interesting things going on and we've had the child credit and dependent care and premium credits, and we always have changes with the forms. And I think one of the nice things, Karen, with having you on a program is I think you may get the title as queen of forms because you certainly have all the information down that anybody ever wants to know about forms. But I think this is an interesting tax season, more than any. Are there any things just at first hand, just off the top of your head, that you think practitioners should be listening to and paying attention to?

Ms. Davis

Well, that's right, Ian. In 2020, we had the American Rescue Plan Act, which gave us tremendous changes with respect to the child credit, the child care credit, the health care credit, and then the disaster distributions we had with the COVID retirement plan distributions in 2020. The reporting of that, of course, carries into 2021 when you elected to spread the recognition of income over three years. So, we have a brand new form; the IRS has decided a different way to do it. And we're going to take a look at that new disaster distribution form. Very different than any previous year.

Mr. Redpath

Yes. So we have a number of revised forms, I guess. And so there's no question that this is going to be a new year. We've got the 8812 for the child credit and dependent. Form 2441, and again, revised for the dependent care. The 8962 premium tax. And then as you said, Form 8915-F, the qualified disaster retirement plan distribution [and] repayment. I think I got that right, didn't I?

Ms. Davis

Yes. Here's the thing, Ian. When I talk to you, I know you're a university professor; you take the view from 30,000 feet. I think of mine as the worm's eye view, because call me the forms queen if you will, I call myself a worm. I'm looking at it on the ground. I'm boots on the ground. I'm interacting with clients. I have to know this on a granular level, because I have to explain it to my clients on that level.

So with that being said, I'm glad to do it today.

Mr. Redpath

Yes. So, one of the things clients should be getting, this Letter 6419, to say what they got; and I'll put up a copy here for those who haven't seen it yet.

But something we need to ask our clients, whether they've gotten it or not. And I'm sure your clients are much like everyone else's, and they're going to go, "What? What letter? I never got a letter. I never got anything." Much like the ones that said, "I never got a payment from the government. What are you talking about? There's an EIP issue? I never got a payment."

So, we're going to have a lot of issues relative to this. The IRS is so far behind in processing. There's a lot of issues if those numbers are not correct. What are you recommending that people do [if the Letter 6419 numbers don't match the taxpayer's records]?

Ms. Davis

So, the letter we're looking at right now is Letter 6419. And it reports to taxpayers the amount of advanced payments of the child credit that they received. Remember those started July 15th and went for six months through December 15th. And it tells you the number of children. Now, what's important for us to know is that these were mailed in January. There's no excuse for our clients not having them. And we need them. Now, the other thing is, too, if this was based on a married filing jointly return, then the taxpayer and the spouse each got a letter, presumably showing half; but it could be that one of the parents went to the child update portal and withdrew from prepayments and the other one was getting payments. So, don't assume anything. Don't assume that the numbers match taxpayer and spouse. But also, we learned from the IRS that it might not be the right number at all.

They might have attempted to deposit it into a bank account that was incorrect, so it got taken back to the IRS. They might have sent it to a mailing address that then got returned to the IRS. So, we don't know for sure. And the IRS came out and just said there might be some errors on this. Ian, the very best way to know what they got is for the taxpayer to set up an online taxpayer account and get an account transcript. Now, clients of mine who are willing to do that, I encourage them to do that. Clients who are more reticent about setting up an online thing, I don't push them into it. And I certainly don't lead them into it because it takes a lot of time. But really that's going to be the gold standard is look at a transcript. I believe the IRS is also setting up a tool in the same way they had the EIP tools to confirm the amount.

But the IRS is also telling you, and it's printed on Form 8812, if you come up with the wrong number, then your tax return will be pulled for manual review and your refund will be delayed. And they're not saying might be delayed. It will be delayed. And we will spend all of 2022 in the same way we spent 2021, helping clients find where's my refund.

Mr. Redpath

Yes. And we know that the tool at the IRS's "Where's my refund?" wasn't very helpful. For the most part, it was like, "We don't know either." That's what the IRS said, "We don't know either where your refund is. Why are you asking us?" So the 8812 and Letter 6419, as you said, is essentially going to be a reconciliation, right? You got the numbers from the 6419, you're going to end up reconciling what you're actually entitled to. Can you tell me, where are we with this 8812? Because I know now we've got essentially three pages now, right?

Ms. Davis

Exactly. So in past years, if you claimed the child tax credit, you just claimed it on the front of your return. The only people who filed form 8812 are people who were hoping to get a refundable portion of the credit, right? Because the nonrefundable portion was zeroed out, their taxes were zeroed out, but they hadn't used their entire child credit. So were they eligible for a refundable portion, that involved form 8812. This year, form 8812—actually it's Schedule 8812—is for everybody, everybody who's claiming either the child tax credit or the \$500 other dependent credit. And that form carries the weight of reconciling these prepayments. Also, certain taxpayers will have to pay back a portion of that prepayment if they're not claiming as many children on their tax return or if their AGI was higher. So, there's at least three different things going on, on that form, is why it's three pages.

Mr. Redpath

And as you said, it's refundable for 2021. So, the difference between reporting it and now having a separate schedule that everyone's going to use for 2021 that is going to claim it.

Now, what about Form 2441, the child and dependent care expenses? Where are we with that?

Ms. Davis

Right. So, if you claimed it last year, you claimed it for a maximum of \$3,000 of expenses or \$6,000 if you had two children. A lower-income person would claim 35% of the eligible expenses for the credit; a wealthy person, 20%. Possibly also you've put some aside in your dependent care benefit account. That's been the same rule forever. Now in 2021, they've supersized the

dependent care credit. Now, the eligible expenses are up to \$8,000 for one person, \$16,000 for two, and a low-income person will see a 50% credit. So, 50% of \$16,000 is \$8,000. And it's a refundable credit if you live in the U.S. So hugely supersized this year. Now, the mechanics of how you calculate it are the same, including the mechanics of coordinating with your dependent care benefit account.

The other thing to notice on the face of that form, and we will look at the form later, is that they now have a checkbox. Was your daycare provider a household employee? If yes, you really need to file Schedule H. So filing Schedule H is not something you can fly under the radar and pretend that Mary Poppins doesn't live in your house. She does. And you need to file the Schedule H. Again, we as preparers, now that there's a question there, we need to check that box. So again, they're putting the burden of compliance on us.

Mr. Redpath

Yes, excellent point and something that this is really, as you said, that we know that Schedule H, the IRS has been... They know there's a lot of non-compliance in that area. There's no question about that. They've said that for ages. This is just another way of forcing compliance on the Schedule H. So, as a practitioner, when you're checking that box, there better be a Schedule H somewhere involved or your client should not be filing that return if you checked the box yes there. There was a notice that came out and again, they had advanced payments that were allowed, and I think you mentioned it, it was supersized, right, up to \$10,500?

Ms. Davis

Yes. And here's what the notice said. So, recall back when the pandemic started, I would have set aside \$5,000 for 2020 in my dependent care benefit account. Maybe I spent \$1,000, and then the pandemic hit and my child's daycare was shut down, and I didn't spend any more on daycare that year because everything was shut down. So, either I use it or lose it, and I've lost \$4,000. What the IRS said is that plans can be amended by the employer to allow a carryover of up to the full amount, basically, into 2021. And as part of making that possible, they doubled the allowance for the size of a dependent care benefit account from \$5,000 to \$10,500 for 2021. So, big carryover and big increase in the

amount, and big increase in the amount of expenses, right? So, we're up to \$16,000 expenses. You could have supersized your dependent care benefit account.

Mr. Redpath

Now, the premium tax credit, Form 8962—there's probably a lot more people going to be filing the 8962 that have been involved with taking the medical. So, what's the change here with 8962?

Ms. Davis

Yes, there's two really significant changes, Ian. And I have to say, I didn't see them during the year. I didn't counsel any clients related to this because I didn't see it until I looked at the form. So, the first change is that 400% of the federal poverty level for a family your size is no longer a cliff. It no longer causes you to become ineligible for the credit and requires you to pay back any advanced premium. Instead, when you look at the table of what is your family's required payment, your family's required payment will be 8.5% of family income. So, you still get the credit. You haven't fallen off the cliff. You're at 8.5% payment. Now the other change, and this to me is extraordinary, is if the taxpayer or spouse received in any week unemployment benefits in 2021, then automatically they're pegged at 133% of the federal poverty level. No matter how much money they actually have, they qualify as the most indigent for the maximum allowable.

So their copay, their percentage of household income to pay into their own healthcare, is zero. So, that's going to be an enormous credit. Now, we think of people who have healthcare through the exchange, obviously they're getting a 1095-A; if they have a ton of money, you know they're not going to get a credit and they didn't have an advanced payment. Why even code it up in my software because I know they're not getting a credit? Well, don't think that way, because this year if there's unemployment, they will. The 400% is not a cliff; they will get something. So really, you do need to look at it this year.

Mr. Redpath

You said something and I'm wondering, did I miss-hear? (You get old, your hearing goes, right?) So, did you say that if the taxpayer or spouse received unemployment for *any week* in 2021? Did I hear that right?

Ms. Davis

You heard me say *any week*, yes.

Mr. Redpath

Wow!

Ms. Davis

So, it's just that you flip a switch. Hey, I had unemployment, I was unemployed. Now, remember in 2020, we could set aside \$10,200 of unemployment. This year, the benefit of getting basically free healthcare through the exchange is extraordinary. Now, I know a family who they lost their jobs, whatever. And the husband, the taxpayer himself was on Cobra; and they were hoping to get the Cobra premium assistance credit for most of the year. And then, after their Cobra expired, then for the last three months of the year, they went onto the exchange. So, you don't know people's circumstances. But again, the reason Congress is giving these benefits is they're helping families, in particular families, through this pandemic.

Mr. Redpath

Yes. That's really something. It's somewhat surprising; but we've got a lot of surprising things during the COVID pandemic, right? Another thing we have is a form that's really new, Form 8915-F, which is, and I think you led into it earlier, the qualified disaster retirement plan. You took a distribution. Now you're going to be paying it back, the repayment. Exactly what is this form and what should we be looking out for?

Ms. Davis

Right. So in 2020, we filled out Form 8915-E to report a qualified coronavirus-related disaster distribution of up to \$100,000. And there's options. You can spread out recognition over three years. You can also, within three years, choose to pay it back. So you've gotten through the pandemic; you've regained your equilibrium. You didn't want to clean out your retirement savings, you're allowed to recontribute it and amend those previous years where you had picked up some recognition. Now that was Form 8915-E because it was the 2020 disaster. 8915-D was the 2019 disaster and so forth going backwards; they designed one of these for each disaster. So, I was looking for the 2021 version of 8915-E, which is where we begin the repayment phase, and it didn't show up on the IRS draft forms.

Turns out 8915-F is a successor form to that series. So 8915-E for 2020 disasters and F for 2021 disasters, and any future disasters will all be on this form. So, the form was redesigned. Check a box for what year you're filing it; and check a box for what your disaster was. If it was a FEMA-related disaster, give us the number. If it was the COVID disaster, check here. And then, here's two marvelously complex flowcharts to tell you which lines of this form to fill out.

Mr. Redpath

Yes, we have two flowcharts here if you want to briefly go over them. We're going to put them up here for our viewers. Form 8915-F. The first one is Chart 1.

Ms. Davis

Yes. So let me get there. So chart number one is if you check the box that your disaster was the coronavirus disaster, and that was all, there's no other disasters after that, then we're going to ask you these questions. Did you claim a disaster-related distribution in 2020 on that previous Form 8915-E? Yes. Did you check the box for tax year 2021 or 2022? That is the second and third year after. Yes. Did you check the box on line 9 or 17 of that 2020 Form 8915-E? Those check boxes would say, "No, I don't want to spread it over three years." If you didn't check the box, you say no.

So if the answer is no, then it says, "Go ahead and complete lines 12 through 15." That would be if the distribution was from a retirement plan. And lines 23 through 26, the IRA distribution, as applicable. So, what you'll do on this year's version of the form is you're picking up the second third of the three-year spread of income recognition. Now, there's other paths through this flowchart, and some of the paths end up with, "No. Stop! You can't use this form." So that's flowchart number one.

Mr. Redpath

Okay. So flowchart number two. I'm going to pull it up here. So what is flowchart number two?

Ms. Davis

Wow.

Mr. Redpath

Just summarize it.

Ms. Davis

Here's what flowchart number two is. Okay. It's not just year two or year three of your COVID-related distribution. It's a whole new year. Did you have a disaster this year? Did you have a disaster last year? Do you want to have a disaster? Did your friends have a disaster? Are you spreading it over three years? Are you changing your mind about a previous disaster and now you want to restore it? And it tells you, you just go through this and wherever you land. Ian, it's like a board game, right? You know, you land here, it says complete part four. You land here, it says complete part three. So what we have here, they designed Form 8915-F to be an evergreen form. There's not a [2021] version. It's not printed [2021] at the top. It's designed to be useful every single year, and you just check the box for which year you're filing it.

Now, as of the time I've looked at it most recently, it was still in draft. And I haven't seen the final yet. So I'm looking and I'm reading from the draft. Presumably, we will get a final version in time for our software and in time for our filing season. But I haven't seen the final version. It might be there. I just haven't seen it.

Mr. Redpath

Okay, one other thing. We're going to be talk about the forms a little in a second. But Revenue Procedure 2021-48 related to PPP loans. There's been a lot of question on that. Exactly what is that going to be for 2021 if you had loan forgiveness or if you applied for loan forgiveness?

Ms. Davis

Right. This is what the IRS said, and the AICPA was just begging them to give us guidance, and it took them forever to get there. And what it is, if you had a PPP loan and you had all the eligible expenses that you needed, then getting your loan forgiven was really just a ministerial task. It wasn't going to not get forgiven. You knew that. So the IRS finally belatedly said, "Okay, you're right. Here are your three options. One, you can recognize the tax-exempt income as you spend up the money. You can recognize the tax-exempt income when you apply for forgiveness. Or you can recognize the tax-exempt income when the loan is forgiven." So now you know when to recognize your tax-exempt income on the business tax returns and to put them into shareholder basis or partner basis.

So, that was something we desperately needed guidance on. We finally got the guidance. Now, in addition, in the instructions to the forms, including 1040, they're like, "By the way, which of these three things did you do? We want to have a statement attached to the return. Especially on the 1040, you're not even thinking about it because why would I put tax-exempt income that's not income?" They don't want to see the income. They want to see the statement as to when you're recognizing the tax-exempt income, including if you want it to apply to 2020, there was no procedure for making that statement. You put the statement on the 2021 return. Now, Ian, I'm going to be looking for this in my tax software. We pay good money for professional tax software. If it's not there by the next second or third revision as they get up to speed with this tax filing season, I will certainly ask for an upgrade request. So, that's what's in the instructions for all the business tax returns for 2021. It's also in the Form 1040 instructions.

Mr. Redpath

And the statement really just is—Revenue Procedure 2021-48 is on top of your statement as to what you're filing it for. So, we're going to do something a little different today. We're going to go through a comprehensive example and talking about the forms we just talked about. So I'm going to give us the facts here. And we're going to put up slides for our viewers to look at so they can follow along and hear your voice in the background as to what to do.

So Beth Hart has three kids, Sammy, age 5, Carl, age 12, Becky, age 18, and files as head of household. She has an AGI of \$150,000 in 2021, including wage income of \$120,000. This month, Beth received Letter 6475, confirming her EIP payment, another letter that we have that may or may not be correct. And hopefully, you can find out online what EIP payments you got if you can get your client to do the online account. Confirming her EIP payments received April 2021 were \$5,600—4 times \$1,400. And she got Letter 6419. Boy, Beth is a great client, because she actually brings in all the information you need showing a total of \$3,300 advanced payments for her expected child [tax credit]. So, what are we going to do? We're going to look at the 1040, Schedule 3, and the forms that would be applicable. So, based on her prior-year AGI, Beth qualified to receive the maximum amount of advanced payment.

We have a 6419 for Beth. And Karen, your client brought you in the 6419 in the organizer. They told you they had it, and they told you what numbers they had. So, let's start from there.

Ms. Davis

Right. So what we know from this is in box one, the aggregate amount of advanced payments she received in that last six months of the year was \$3,300. And the number of children that it was based on was two. And we've made a note here, by the way, it's sent to the taxpayer and spouse if married filing jointly. So, that's an important reminder. But in Beth's case, we know it's just her because she filed the previous year as head of household. And so we know and we're confident that she got the money because we're going to ask her, "Does this number look right to you?"

We know from Beth what her prepayments were. And as we spoke about previously, now we need to fill out [Schedule] 8812 to coordinate the prepayments of the credit with the amount she's actually entitled to. So we see, first of all, she has AGI of \$150,000. She has two children under the age of 18. Now, that in itself is a change this year. Usually it's under the age of 17; but for 2021 only, they're going under the age of 18. Now, one of these children was under the age of 6. The other was older than that. So we've got one child who's eligible for \$3,600, the other child \$3,000, or the two supersized versions of the credit. Now, remember she also has Becky, the older child. Becky will be worth \$500 for the other dependent credit. We show that Becky's on line 6 and the \$500 is on line 7.

So, the maximum amount of the credit that we would expect would be the [\$3,600] plus the portion of \$3,000. Now, that's going to come to \$6,600, but as you know, some portion of it was prepaid. And what we have to do is figure out the prepaid portion, but also see if there's any phaseout. So that's the function of the line 5 worksheet. So let's go to the next slide.

We'll look at that line 5 worksheet and see where the heavy lifting is. So from the number of children, we know on the line 5 worksheet, we have the \$3,600 for Sammy, the younger one. We have one times \$3,000 for Carl. That's our \$6,600. But then, we have a \$2,000 credit for each child that comes to \$4,000. Now, what we know between \$4,000 and \$6,600 is that \$2,600 of her child's credit is the enhanced portion. That has an earlier phaseout than the regular \$2,000 portion. And that's the heavy lifting that this form does.

Now, with her \$150,000 AGI, she's \$37,500 above the beginning of the phaseout threshold for head of household. So, we have to multiply \$38,000 by 5%. Her phaseout is \$1,900. So instead of \$6,600 for these two kids, \$4,700 will be the number for these two kids. And that we saw in the previous slide, but I couldn't explain it without making reference to the line 5 worksheet. So, we don't need to go back to that slide, but for people's reference, what we have is the \$4,700 for the younger kids, \$500 for the older kids. So, now we're looking at a maximum of \$5,200 of child credit. So, advancing to the next slide.

The first portion of this is the very end of Part 1-A that we were looking at. There's a question, and this is an important question. Check the box or boxes that best apply to you and your spouse. Check here, A, if you and your spouse if married filing jointly had a principal place of abode in the United States for more than half of 2021. Yes. Or check here if you're a resident of Puerto Rico. Yes. In that case, your child credit is refundable. It's a refundable credit this year. So that's what brings us to Part 1-B. Filers who are eligible for the refundable credit now are able to use the credit limit worksheet to see if there's any phaseout for the \$500 that's not refundable. The refundable portion is definitely not going to phase out, but we know there was a prepayment. So, the allowable credit is \$5,200; \$3,300 was prepaid. That leaves on line 14g \$1,900. \$500 is nonrefundable because that's the other dependent credit for the older child; \$1,400 is refundable for the two younger children.

So it's like, "Wow, this is math." Obviously, our software will do it; but what I always say is trust but verify. You need to understand on a theory level what number you're trying to get. And the number that we get through these worksheets, these phaseouts, these reductions in her case, is the \$500 non-refundable credit for the older child, \$1,400 remaining because she already got a prepayment of \$3,300. Now, because of the prepayment, some people will get smaller refunds than they might have been expecting. And that's something the IRS is also prepared for.

So Ian, we can advance through the slides.

Form 8812, page 3, is that additional tax. And I think I had mentioned that in the earlier part of our program, which is if those prepayments, in her case \$3,300, was too much and you have to pay it all back because either you don't have three kids this year, because the other parent is claiming them or because you have very high

AGI and it's all phased out, whatever the payback portion is will be reported on page 3, Part III of this form. There are some numbers here, \$60,000 married filing jointly, \$50,000 head of household, and \$40,000 for others. That's the beginning of the payback range. If you're below those AGI thresholds, no amount of it has to be paid back. If you're above the double of those thresholds, they all have to be paid back, and in between is the sliding scale and the phaseout.

Now, I didn't reproduce here page 2 of the form. Page 2 of Form 8812 is what we have always learned in the past. What that form was used for in the past was the refundable portion of the credit for people who are not otherwise eligible for a refundable portion this year. And those are people whose primary residence is not in the U.S. So, we're going to be seeing mostly in our client base refundable credits of the child credit. And again, the other dependent credit stays nonrefundable.

Mr. Redpath

So let's add some more facts here. In 2020, Beth had made an election to contribute a full \$5,000 allowable into her dependent care account for Sammy and Carl. COVID 19 hit, the daycare center closed, she spent only \$1,000. Notice 2021-15, her employer modified its plan to allow a rollover of that amount and increase the plan to \$10,500. In 2021, Beth again elected to contribute \$5,000. Leaving nothing to chance, Beth hired Mary Poppins to watch her kids so she could work and paid Mary \$20,000 in 2021. Schedule H is going to have to be filed. There's questions of the nanny tax. But now we brought up Form 2441, Part I. Can you lead us through this too?

Ms. Davis

Absolutely. So the form looks like it did in the past, except you get to column D and there's this new check box. It says, "Check here if the care provider is your household employee. (see instructions)" And also, there's a caution. "Caution: If the care was provided in your home, you may owe employment taxes. For details, see the instructions." Now, on this tax return we're doing, we're going to need the Schedule H, but we're not going to prepare it. Hopefully, our client has been using one of those nanny tax services that does all of the compliance, prepares the Schedule H, prepares the W-2, does the state unemployment taxes, does any workman's comp taxes. That's such an area of specialization that I recommend my clients use a nanny tax firm to do that. And then, what I want from them is the Schedule H that's already prepared. I drop it into my

software. Again, Ian, we don't do a lot of Schedule Hs. We do get a lot from our clients, and nanny tax companies are the way to go. So, that's the care provider information. Let's advance the slide to Part III.

Because when you do have a dependent care benefit account, what you do is you have to first of all see how much of your daycare expenses ran through that account. Then you're able to calculate the credit. And we mentioned in the facts that she had set aside \$5,000 in 2020, but \$4,000 of it rolled over. In 2021, she has another \$5,000. So Beth has \$9,000 that she was able to spend out of her dependent care benefit account that was pre-tax, pre-FICA. So very, very tax-effective money. \$9,000 of the expenses ran through, tax-free, her dependent care benefit account.

So, going to the next slide, Part III continued. She was able to take \$16,000 of expenses. Again, the amount of expenses that you can take into account for the credit or this exclusion in 2021 was larger. So, \$16,000 for the two kids. Now, \$9,000 was already spent with pre-tax money. That leaves her \$7,000 of expenses that are eligible for the credit.

So advancing the slide, after we do Part III, now we can do Part II. So in Part II, we look at who are the qualifying persons? Sammy and Carl. And what are the amounts?

Mr. Redpath

Can I interrupt you for a second here?

Ms. Davis

Sure.

Mr. Redpath

So we're going backwards? This is one of those forms where we're going backwards; we're doing Part III and then Part II.

Ms. Davis

Exactly. The reason we're going backwards from Part I to Part III to Part II is because of the dependent care benefit account. And they do tell you that. If you completed Part III, enter the amount from Part III here. That's how we get to \$7,000. But we have to spend down that pre-tax money first before we see how much is left over for the credit. Now, \$7,000 is left over because \$9,000 was used. Now, I mentioned to you, Ian, that the amount of the credit is a maximum of 50%

and then it phases out due to AGI. In past years, it phased out to 20%. This year, for people with over \$438,000, that AGI is phased out to zero. So very high-income taxpayers get no child credit; very low-income taxpayers get a tremendous child credit.

Now, with her AGI of \$150,000, we can go ahead to the next slide. I've reproduced the table of the phaseout schedule, and there should be a red arrow there pointing at 0.37. So, for \$150,000 of AGI, 37% is her allowance. So \$7,000 remaining eligible expenses for the credit. 37% is \$2,590 as her dependent care credit. Again, it's a refundable crediting because she lives in the U.S.

Mr. Redpath

All right, so let's add a couple more facts here. Beth pays \$1,000 per month for a bronze plan from her health insurance marketplace for herself and her three kids in the state where the second lowest cost silver plan is \$1,522.50 per month. Daughter Becky is required to file a return. Her \$12,000 AGI will count as part of the family income in calculating the annual contribution amount. The FPL for the family of four is \$26,200 [from Form 8962 Instructions] and 400% of that amount is [\$104,800]. In past years, this meant Beth's income would have been too high for her to claim the premium tax credit. However, for 2021 and 2022, it means she's expected to pay a premium of 8.5% of her income. And again, you had mentioned earlier that's a big change this year; a lot more people will be able to take it with eliminating that 400%. So where are we here? And we'll start with Table for Line 7.

Ms. Davis

Right. So the slide you're looking at right now, the Table for Line 7, it's called the applicable figure. And I've put a little note here, redacted. We don't have the room to put the whole table. So I put the top portion of all five columns and the bottom portion. It gets us all the way from less than 150% of the federal poverty level to over 400%. That's where we get that 8.5%, from this table.

Now, advancing the slide, we'll take a look at Form 8962, Part I. And this is where we show the heavy lifting. So family of four, \$150,000 AGI. Becky was required to file a tax return; so her \$12,000 of AGI also counts toward the family. \$162,000 is the family AGI. 401% is what you put in if you've maxed out the federal poverty level. So, the annual contribution they're expected to put in is \$13,770.

Now, go ahead to the next slide, and we'll see how the math works out. The first thing I need from my client is Form 1095-A. Did they get any advanced payments of the premium tax credit? The answer is no. What was the second lowest cost silver plan in that area? That's the measure by which we'll see what this family should get as a credit. So, that's \$18,270 is what they should get or what is the benchmark. \$13,770 is what they should have spent. That leaves \$4,500 that the government is willing to spend. That's the refundable credit for the premium tax credit. Now, the premium tax credit has always been a refundable credit; and it's also been the case and continues to be the case, that if you got advanced payments of the premium tax credit, you might have to pay a portion of it back.

Mr. Redpath

So, let's add a couple more facts here. On June 1st, 2020, Beth took out \$90,000 from her traditional IRA after she was laid off from her job. Even though Beth was only 40 years old, no 10% early withdrawal penalty because this qualified as a coronavirus-related distribution. Beth filed a 2020 8915-E, electing to spread the income out over three years. In 2021, Beth files 8915-F, recognizing \$30,000 of current-year income. And again, she's going to use the 8915-F again in the next year to pick up the \$30,000.

One thing I'm going to point out here is the IRS... and I had this situation, someone asked me, they said they realized that a client had taken out what they alleged to be a coronavirus distribution but didn't really qualify. And they had filed the 8915-E. They said, "Well, what do we do because they really didn't qualify?" And I said, "Well, pay it all back now. File your 8915-F and go from there." And we know that the IRS has been bringing some criminal actions, some highly publicized ones recently against people that they say took coronavirus distributions and weren't entitled to them. So a warning to clients, if nothing else, pay it back as quickly as possible.

But let's start with the 8915-E Part I. And can you lead us through this?

Ms. Davis

Sure. So this is what her coronavirus-related distribution looked like on last year's return. There's three lines. Was it from a retirement plan other than an IRA? Was it a traditional IRA? Was it a Roth IRA? And on the right-hand column, you see \$100,000 is the aggregate maximum of everything to allocate. If you

took \$110,000 out, only \$100,000 was a coronavirus distribution. In her case, it was only \$90,000 and so that's what we reported. And she's electing to spread this \$90,000 over three years.

So, if you advance the slide, this again continues. This is Part III of Form 8915-E. We have the \$90,000 distribution. One third of it was recognized in 2020. So, that's where we left it. Now, it's a new year; it's 2021 and we get 8915-F.

Now, we had already looked at the flowchart. It's on the next slide. We follow for Beth's facts and circumstances; we get ourselves to the lower left-hand corner that says which lines we need to complete. So, according to the slide, we don't need to look at flowchart two so we're going to ignore that.

We'll go to Form 8915-F, lines 23 through 26, because that's what flowchart one told us to do. So enter the amount, if any, from Worksheet 4 in the instructions. This is your income for prior years from the retirement plan, \$30,000; and throw in this year's, it's \$30,000. So whatever the prior-year amounts were recognized, this year actually is the only amount that you need to pick up in income this year. So they want to compare the previous years because they're asking on line 25, was there any repayment? The answer is no. So, if there was a repayment, then she's not going to recognize \$30,000 this year; but in her case, she's recognizing this \$30,000. And that's how she got from wages of \$120,000 to AGI of \$150,000, is this \$30,000 got picked up.

Now, presumably, our software will roll this forward; but we do have questions to ask Beth. "Hey Beth, remember that distribution? You didn't pay it back, did you? How are you doing? How is your life? Do you want to pay it back? Are you thinking of paying it back?" We have clients who want to pay it back, Ian, because they didn't want to tank their retirement savings. They pulled it out for an emergency. The emergency has passed. They're back on their feet. They have this money. They don't want to just recontribute it at \$6,000 a year for the next 15 years to get back to where they were. They want back in. You can get back in; you have three years to repay it.

Mr. Redpath

Yes. And that three years to repay it is really important because again, a lot of people didn't pay it back. And by the way, it doesn't have to be put back into the same

retirement account either. It just has to be put into a valid retirement account. So, what else do we need to know about her return?

Ms. Davis

Well, there's two things. We mentioned the Schedule H; we need to get that or fill it out. The other thing we also have, Ian, is Form 8867, *Paid Preparer Due Diligence*. Now, that used to be something only for the earned income credit. Then, they expanded it to include the child credits, the head of household filing status, the education credit, and also the earned income credit. So, there's a lot of heavy lifting that goes there. And always, you can sort of just go with the defaults in your software, but I would really look at it this year because we had prepayments and we claimed children in a previous year. And are they the same children this year? It's worth looking at that preparer due diligence. So, that's something that I would caution. Then, the rest of it, it's worth noting she's not going to get a recovery rebate credit. If she didn't get the full amount of the EIP3 that she was eligible for, that is \$1,400 for her and every dependent on her return.

Then, she would claim the recovery rebate credit on Form 1040, line 30. Now, remember in our 2020 tax returns, that mismatch held up a lot of returns, a lot of refunds. And we were on the phone a lot with the practitioner priority line, trying to find the money for our clients; or they were using the online tool. You've got to match up EIP3 precisely, and you have to match up the advanced payments of the CTC precisely. That's what I want to see done.

Mr. Redpath

You said that the dependent credit flows to line 19 on Form 1040; the refundable credits, Schedule 3, page 2. And as you said, she's not entitled to a recovery rebate because she had received the full amount of the EIP payment.

So essentially, and we have a summary here of the form, the tax and payments. So we can look at the slide entitled Form 1040 – Tax and Payments. Is there anything specifically here that we need to look at?

Ms. Davis

Yes, it's interesting, Ian. It sort of looks like you would expect. Line 24 is her total tax. Her withholding from her wages was \$14,000. But then these refundable

credits start kicking in, right? So, she's got three different refundable credits on this return, amounting to \$8,490 of payments. The refundable credit counts the same way a payment counts. Above line 24, we didn't look at was the nonrefundable other dependent credit. So she already got that nonrefundable credit. But what's remarkable here, and the reason we put it on the slide is how significant is the amount of refundable credits. Now, this is a one off. This was because of the American Rescue Plan Act. Now, some of these provisions would have been carried forward if we got passage of the Build Back Better Act. The supersized and prepaid portions of the child tax credit are right now expired. So, they don't exist in 2022 unless Congress takes some action. But there it is, Ian. It's there for the taking. We're going to have a remarkable tax season.

Mr. Redpath

Yes. I think this will be every bit as challenging a tax season as 2021 was, without question. But certainly, these are important issues. And going over the forms I think is a really good way to understand all these changes. And Karen, I really thank you a lot for your insight. Very, very helpful. And thank you for putting together the example here. It's wonderful. And again, thanks a lot. And I'll have you on the program as soon as possible. So, Karen, always enjoy having you here. Thanks a lot.

Ms. Davis

Marvelous. Well, I'm looking forward to tax season. It's my time of year. Ian, it's great to see you.

Mr. Redpath

Yes, there you go. Well, as I said, queen of forms, you're always looking for tax season, right? Karen, thanks again for being here. I really appreciate it. And thank you to our viewers.

SUPPLEMENTAL MATERIALS

Understanding Some Form Changes for 2021 Individual Returns

By Ian J. Redpath, JD, LLM

A. Some New and Revised Schedules and Forms for 2021

- Schedule 8812, Credits for Qualifying Children and Other Dependents
- Form 2441, Child and Dependent Care Expenses
- Form 8962, Premium Tax Credit
- Form 8915-F, Qualified Disaster Retirement Plan Distributions and Repayments

Just to clarify, schedules are generally considered to provide information to supplement certain forms.

B. Schedule 8812

Schedule 8812 is now three pages, containing:

Part I-A, Child Tax Credit and Credit for Other Dependents (All Filers)

Part I-B, Filers Who Check a Box on Line 13 (RCTC/ODC)

Part I-C, Filers Who Do Not Check a Box on Line 13 (NCTC/ACTC/ODC)

Part II-A, Additional Child Tax Credit (use only if completing Part I-C)

Part II-B, Certain Filers Who Have Three or More Qualifying Children

Part II-C, Additional Child Tax Credit

Part III, Additional Tax

Taxpayers must reconcile advance payments of the child tax credit with the amount shown on Letter 6419. If advance payments received during 2021 exceed the CTC and OTC calculated on Schedule 8812, the taxpayer may owe an additional tax. The additional tax on is reported on Form 1040, Schedule 2.

The IRS sent Letter 6417 in June 2021 to inform individuals of the amount of their estimated Child Tax Credit monthly payments to be made starting July 15 through the end of the year. It sent Letter 6419 in January 2022 indicating total advance payments of the child tax credit received by the taxpayer. If the payments were based on a MFJ return, Letter 6419 will indicate the amount evenly split between taxpayer and spouse.

| 2021 Total Advance Child Tax Credit (AdvCTC) Payments Keep this important tax information. You need it to prepare your 2021 income tax return. | |
|---|----------------------|
| Box 1. Aggregate amount of AdvCTC payments you received for 2021. Enter this amount on Schedule 8812, line 14f or line 15e, whichever applies. If you file a joint return for tax year 2021, you must add the amounts in Box 1 from both Letters 6419 and enter the total amount on Schedule 8812. | [\$xx,xxx.xx] |
| Box 2. Number of qualifying children taken into account in determining the AdvCTC. See Schedule 8812 instructions if you complete Part III, Additional Tax. | [xx] |

Why you received this letter

Under the American Rescue Plan, the IRS made monthly AdvCTC payments as part of your 2021 Child Tax Credit from July through December to help support families raising children.

- If you're eligible for the credit, file Schedule 8812 with your 2021 income tax return to claim your remaining credit (for a total amount of up to \$3,600 per child under age 6 and \$3,000 per child age 6 through 17).
- If you aren't eligible for the credit, file Schedule 8812 to determine if you must pay back some or all the monthly payments you received in 2021 and if you qualify for **repayment protection** (discussed below).

How the IRS determined your payment amounts

Monthly payment amounts were initially based on information from an income tax return you filed or information you entered in the *IRS non-filer sign-up* tool in 2020 or 2021. Your monthly payment amount or how or where the IRS paid your payment may have changed based on information you provided the IRS through your 2020 income tax return if the IRS processed it after June, the Child Tax Credit Update Portal, or the dedicated IRS Child Tax Credit phone line. Review each monthly payment, including any changes, at [IRS.gov/ctcportal](https://www.irs.gov/ctcportal), and click "Manage Advance Payments." If you did not receive one or more payments, contact the IRS at 800-908-4184 before filing your return.

Repayment protection calculated as part of Schedule 8812, Part III

You may not have to repay in full any AdvCTC payments that took into account more qualifying children (Box 2 above)

C. Form 2441, Child and Dependent Care Expenses

For 2021, the credit for child and dependent care expenses has been supersized and the income phaseouts changed—up to 50% of \$8,000 qualified expenses for one dependent or \$16,000 for two or more. The credit is fully phased out for taxpayers with AGI over \$438,000.

Note, there is a new checkbox: "Check here if the care provider is your household employee." There will be no more flying under the radar if Schedule H is required.

D. Form 8962, Premium Tax Credit

The premium tax credit is no longer subject to a cliff at 400% of the federal poverty level (FPL) for the taxpayer's family size. For 2021 and 2022, a taxpayer with income above 400% FPL is expected to pay 8.5% of family income towards their insurance. If the

taxpayer or spouse received unemployment compensation for any week beginning during 2021, the amount of the taxpayer's household income is considered to be no greater than 133% of the federal poverty level.

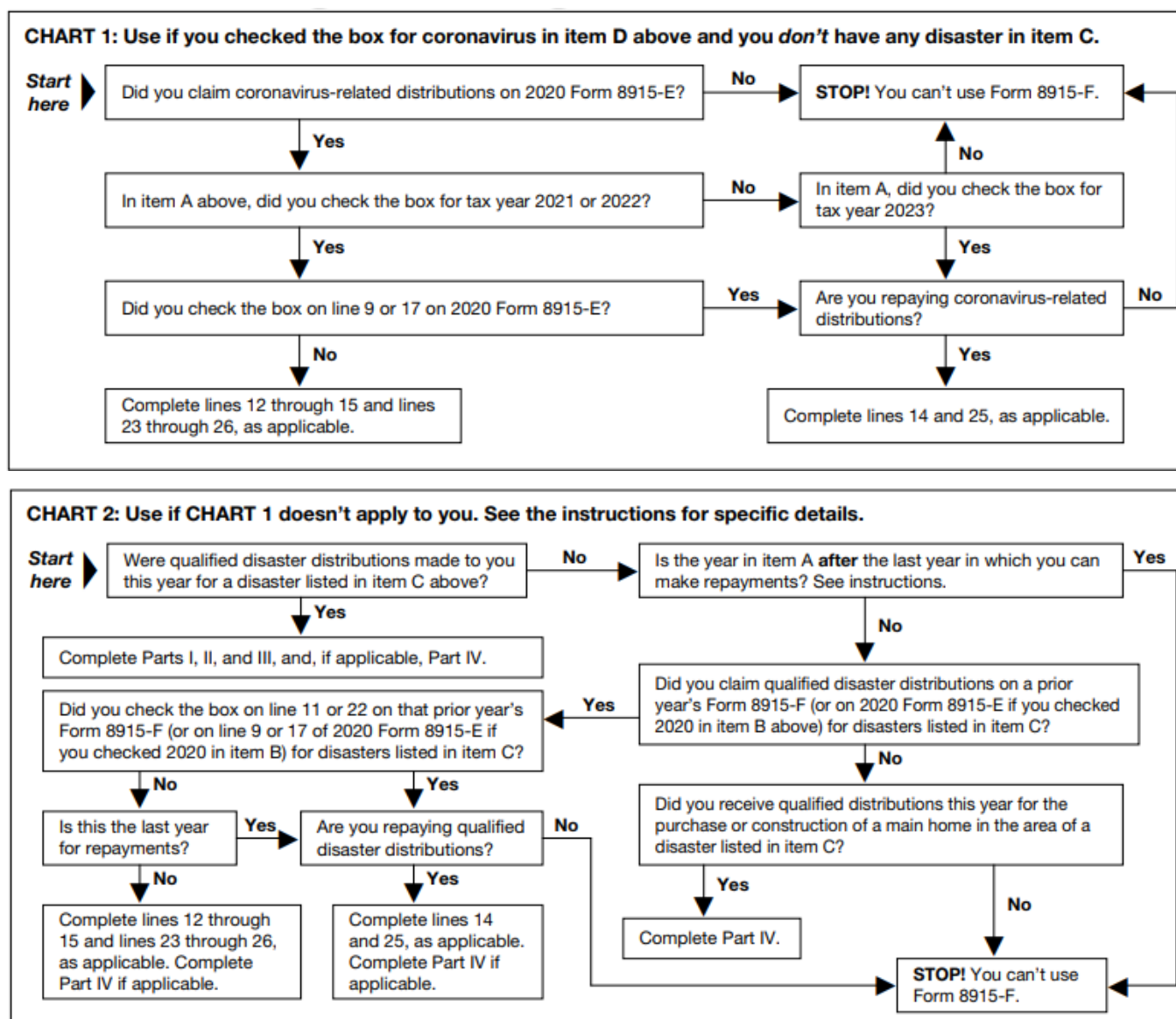
E. Form 8915-F, Qualified Disaster Retirement Plan Distributions

This is the successor to last year's Form 8915-E. The 2020 Form 8915-E was used to report coronavirus-related distributions (CRD) and other disaster-related distributions up to \$100,000 from qualified retirement plans. Anyone who spread last year's qualified disaster distribution over three years will use Form 8915-F in 2021 and 2022 to recognize the second and third installments of income. If the disaster distribution is recontributed within three years, use Form 8915-F to

report it and amend the prior years' returns to reverse the income recognition.

In previous years, Forms 8915-A, -B, -C, and -D were used for the year of the disaster, with successor versions for later years. There is no successor version of Form 8915-E, because the IRS has reconceptualized how this is supposed to work. Form 8915-F is to be used for any post-2019 disaster.

The IRS has provided flowcharts to assist in completing Form 8915-F.



F. Rev. Proc. 2021-48

Revenue Procedure 2021-48 permits taxpayers to treat tax-exempt income resulting from the forgiveness of a PPP Loan as received or accrued:

- (1) as, and to the extent that, eligible expenses are paid or incurred,
- (2) when you apply for forgiveness of the PPP Loan, or
- (3) when forgiveness of the PPP Loan is granted.

The forgiveness of a PPP Loan creates tax-exempt income, so although the income from the forgiveness of your PPP Loan is not reported on Form 1040, there is some information the IRS must receive relative to the PPP Loan.

For any year that this Revenue Procedure applies, there must be attached to the return a statement reporting each taxable year for which it is being applied. Any statement should include the following information for each PPP Loan:

- Taxpayer's name, address, and SSN;
- A statement that the taxpayer is applying or applied Section 3.01(1), (2), or (3) of Rev. Proc. 2021-48;
- What taxable year (2020 or 2021) as applicable;
- The amount of tax-exempt income from forgiveness of the PPP Loan that is being treated as

received or accrued and for what taxable year (2020 or 2021); and

- Whether forgiveness of the PPP Loan has been granted as of the date the return is filed.

Write "RP2021-48" at the top of the attached statement.

G. Comprehensive Example

Beth Hart has three children – Sammy, age 5; Carl, age 12; Becky, age 18 – and files as Head of Household.

- She has AGI of \$150,000 in 2021, including wage income of \$120,000.

This month, Beth received:

- Letter 6475 confirming that her EIP3 payments received April 2021 were \$5,600 (4 x \$1,400), and
- Letter 6419 showing a total of \$3,300 advance payments of her expected child tax credits.

We will complete:

- Form 1040
- Schedule 3, Additional Credits and Payments

- Form 8812, Credits for Qualifying Children and Other Dependents

- Form 2441, Child and Dependent Care Expenses

- Form 8962, Premium Tax Credit

- Form 8915-F, Qualified Disaster Retirement Plan Distributions and Repayments

Based on her prior-year AGI, Beth qualified to receive the maximum amount of advance payments of the child tax credit from July through December, as follows:

Sammy, age 5 – \$300/month x 6 months = \$1,800

Carl, age 12 – \$250/month x 6 months = \$1,500

She received Letter 6419 in January showing a total of \$3,300 advance payments.

| 2021 Total Advance Child Tax Credit (AdvCTC) Payments | |
|---|----------|
| Keep this important tax information. You need it to prepare your 2021 income tax return. | |
| Box 1. Aggregate amount of AdvCTC payments you received for 2021. Enter this amount on Schedule 8812, line 14f or line 15e, whichever applies. If you file a joint return for tax year 2021, you must add the amounts in Box 1 from both Letters 6419 and enter the total amount on Schedule 8812. | \$ 3,300 |
| Box 2. Number of qualifying children taken into account in determining the AdvCTC. See Schedule 8812 instructions if you complete Part III, Additional Tax. | 2 |

Why you received this letter

Under the American Rescue Plan, the IRS made monthly AdvCTC payments of up to half of your 2021 Child Tax Credit from July through December to help support families raising children.

- If you're eligible for the credit, **file Schedule 8812 with your 2021 income tax return to claim your remaining credit** (for a total amount of up to \$3,600 per child under age 6 and \$3,000 per child age 6 through 17).
- If you aren't eligible for the credit, file Schedule 8812 to determine if you must pay back some or all the monthly payments you received in 2021 and if you qualify for **repayment protection** (discussed below).

Schedule 8812 – Part 1-A

| Part 1-A Child Tax Credit and Credit for Other Dependents | | | |
|--|--|----|-----------|
| 1 | Enter the amount from line 11 of your Form 1040, 1040-SR, or 1040-NR | | 1 150,000 |
| 2a | Enter income from Puerto Rico that you excluded | 2a | |
| b | Enter the amounts from lines 45 and 50 of your Form 2555 | 2b | |
| c | Enter the amount from line 15 of your Form 4563 | 2c | |
| d | Add lines 2a through 2c | 2d | |
| 3 | Add lines 1 and 2d | 3 | 150,000 |
| 4a | Number of qualifying children under age 18 with the required social security number | 4a | 2 |
| b | Number of children included on line 4a who were under age 6 at the end of 2021 | 4b | 1 |
| c | Subtract line 4b from line 4a | 4c | 1 |
| 5 | If line 4a is more than zero, enter the amount from the Line 5 Worksheet ; otherwise, enter -0- | 5 | 4,700 |
| 6 | Number of other dependents, including any qualifying children who are not under age 18 or who do not have the required social security number | 6 | 1 |
| Caution: Do not include yourself, your spouse, or anyone who is not a U.S. citizen, U.S. national, or U.S. resident alien. Also, do not include anyone you included on line 4a. | | | |
| 7 | Multiply line 6 by \$500 | 7 | 500 |
| 8 | Add lines 5 and 7 | 8 | 5,200 |
| 9 | Enter the amount shown below for your filing status. <ul style="list-style-type: none"> • Married filing jointly—\$400,000 • All other filing statuses—\$200,000 | 9 | 200,000 |
| 10 | Subtract line 9 from line 3. <ul style="list-style-type: none"> • If zero or less, enter -0-. • If more than zero and not a multiple of \$1,000, enter the next multiple of \$1,000. For example, if the result is \$425, enter \$1,000; if the result is \$1,025, enter \$2,000, etc. | 10 | 0 |
| 11 | Multiply line 10 by 5% (0.05) | 11 | 0 |
| 12 | Subtract line 11 from line 8. If zero or less, enter -0- | 12 | 5,200 |

Schedule 8812 – Line 5 Worksheet

Line 5 Worksheet

FORM 8812

| | | | |
|-----|---|-----|---------|
| 1. | Multiply Schedule 8812, line 4b, by \$3,600 | 1. | 3,600 |
| 2. | Multiply Schedule 8812, line 4c, by \$3,000 | 2. | 3,000 |
| 3. | Add line 1 and line 2 | 3. | 6,600 |
| 4. | Multiply Schedule 8812, line 4a, by \$2,000 | 4. | 4,000 |
| 5. | Subtract line 4 from line 3 | 5. | 2,600 |
| 6. | Enter the amount shown below for your filing status <ul style="list-style-type: none"> • Married filing jointly — \$12,500 • Qualifying widow(er) — \$2,500 • Head of household — \$4,375 • All other filing statuses — \$6,250 | 6. | 4,375 |
| 7. | Enter the smaller of line 5 or line 6 | 7. | 2,600 |
| 8. | Enter the amount shown below for your filing status <ul style="list-style-type: none"> • Married filing jointly or Qualifying widow(er) — \$150,000 • Head of household — \$112,500 • All other filing statuses — \$75,000 | 8. | 112,500 |
| 9. | Subtract line 8 from Schedule 8812, line 3 <ul style="list-style-type: none"> • If zero or less, enter -0- • If more than zero and not a multiple of \$1,000, enter the next multiple of \$1,000 | 9. | 38,000 |
| 10. | Multiply line 9 by 5% (0.05) | 10. | 1,900 |
| 11. | Enter the smaller of line 7 or line 10 | 11. | 1,900 |
| 12. | Subtract line 11 from line 3. Enter on Schedule 8812, line 5 | 12. | 4,700 |

Schedule 8812 – Part 1-B

13 Check all the boxes that apply to you (or your spouse if married filing jointly).

A Check here if you (or your spouse if married filing jointly) had a principal place of abode in the United States for more than half of 2021 ☒

B Check here if you (or your spouse if married filing jointly) were a bona fide resident of Puerto Rico for 2021 ☐

Part I-B Filers Who Check a Box on Line 13 *REFUNDABLE CTC, ODC NONREFUNDABLE*

Caution: If you did not check a box on line 13, do not complete Part I-B; instead, skip to Part I-C.

| | | | |
|---|--|-----|--------|
| 14a | Enter the smaller of line 7 or line 12 | 14a | 500 |
| b | Subtract line 14a from line 12 | 14b | 4,700 |
| c | If line 14a is zero, enter -0-; otherwise, enter the amount from the Credit Limit Worksheet A | 14c | 23,985 |
| d | Enter the smaller of line 14a or line 14c <i>Coordination with other nonrefundable credits</i> | 14d | 500 |
| e | Add lines 14b and 14d | 14e | 5,200 |
| f | Enter the aggregate amount of advance child tax credit payments you (and your spouse if filing jointly) received for 2021. See your Letter(s) 6419 for the amounts to include on this line. If you are missing Letter 6419, see the instructions before entering an amount on this line. If you didn't receive any advance child tax credit payments for 2021, enter -0- | 14f | 3,300 |
| Caution: If the amount on this line doesn't match the aggregate amounts reported to you (and your spouse if filing jointly) on your Letter(s) 6419, the processing of your return will be delayed. | | | |
| g | Subtract line 14f from line 14e. If zero or less, enter -0- on lines 14g through 14i and go to Part III | 14g | 1,900 |
| h | Enter the smaller of line 14d or line 14g. This is your credit for other dependents. Enter this amount on line 19 of your Form 1040, 1040-SR, or 1040-NR | 14h | 500 |
| i | Subtract line 14h from line 14g. This is your refundable child tax credit. Enter this amount on line 28 of your Form 1040, 1040-SR, or 1040-NR | 14i | 1,400 |

Schedule 8812, Page 3 – Additional Tax

Part III Additional Tax (use only if line 14g or line 15f, whichever applies, is zero)

| | | | |
|---|---|-----|--|
| 28a | Enter the amount from line 14f or line 15e, whichever applies | 28a | |
| b | Enter the amount from line 14e or line 15d, whichever applies | 28b | |
| 29 | Excess advance child tax credit payments. Subtract line 28b from line 28a. If zero, stop; you do not owe the additional tax <i>ADVANCE CTC ALLOWABLE CTC / ODC</i> | 29 | |
| 30 | Enter the number of qualifying children taken into account in determining the annual advance amount you received for 2021. See your Letter 6419 for this number. If you are missing your Letter 6419, you are filing a joint return, or you received more than one Letter 6419, see the instructions before entering a number on this line <i>or less</i> | 30 | |
| Caution: If the amount on this line doesn't match the number of qualifying children reported to you (and your spouse if filing jointly) on your Letter(s) 6419, the processing of your return will be delayed. | | | |
| 31 | Enter the smaller of line 4a or line 30 | 31 | |
| 32 | Subtract line 31 from line 30. If zero, skip to line 40 and enter the amount from line 29; otherwise, continue to line 33 | 32 | |
| 33 | Enter the amount shown below for your filing status. <ul style="list-style-type: none"> • Married filing jointly or Qualifying widow(er)—\$60,000 • Head of household—\$50,000 • All other filing statuses—\$40,000 | 33 | |
| 34 | Subtract line 33 from line 3. If zero or less, enter -0- <i>AGI in excess of repayment threshold</i> | 34 | |
| 35 | Enter the amount from line 33 | 35 | |
| 36 | Divide line 34 by line 35. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000 | 36 | |
| 37 | Multiply line 32 by \$2,000 | 37 | |
| 38 | Multiply line 37 by line 36 <i>% phase out of CTC amounts over 2,000</i> | 38 | |
| 39 | Subtract line 38 from line 37 | 39 | |
| 40 | Subtract line 39 from line 29. If zero or less, enter -0-. This is your additional tax. If more than zero, enter this amount on Schedule 2 (Form 1040), line 19 | 40 | |

Additional Facts:

In 2020, Beth had made an election to contribute the full \$5,000 allowable into her dependent care benefit (DCB) account for Sammy and Carl. When the Covid-19 pandemic hit, the daycare center closed and she spent only \$1,000. As allowed by Notice 2021-15, her employer modified its DCB plan to allow rollover of unused amounts into 2021 and also increased the plan allowance to \$10,500 for 2021. In 2021, Beth again elected to contribute \$5,000. Leaving nothing to chance, Beth hired Mary Poppins to watch the kids so she could work and paid Mary \$20,000 in 2021.

Schedule H must be filed – ideally we will get this from the nanny tax company and drop it into the return later.

Form 2441 – Part I, Care Provider

B For 2021, your credit for child and dependent care expenses is refundable if you, or your spouse if married filing jointly, had a principal place of abode in the United States for more than half of 2021. If you meet these requirements, check this box ☒

Part I Persons or Organizations Who Provided the Care—You must complete this part.

If you have more than three care providers, see the instructions and check this box ☐

| 1 | (a) Care provider's name | (b) Address (number, street, apt. no., city, state, and ZIP code) | (c) Identifying number (SSN or EIN) | (d) Check here if the care provider is your household employee. (see instructions) | (e) Amount paid (see instructions) |
|---|--------------------------|--|--|---|---------------------------------------|
| | MARY POPPINS | 123 HARMONY LANE YOUR TOWN, CT | 111-22-7777 | <input checked="" type="checkbox"/> | 20,000 |
| | | | | <input type="checkbox"/> | |
| | | | | <input type="checkbox"/> | |

Did you receive
dependent care benefits?

No

Yes

Complete only Part II below.

Complete Part III on page 2 next.

Caution: If the care was provided in your home, you may owe employment taxes. For details, see the instructions for Schedule H

Form 2441 – Part III, Dependent Care Benefits

| Part III Dependent Care Benefits | | | |
|----------------------------------|---|----|---------|
| 12 | Enter the total amount of dependent care benefits you received in 2021. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. Don't include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership | 12 | 5,000 |
| 13 | Enter the amount, if any, you carried over from 2020 and used in 2021. See instructions | 13 | 4,000 |
| 14 | If you forfeited or carried over to 2022 any of the amounts reported on line 12 or 13, enter the amount. See instructions | 14 | |
| 15 | Combine lines 12 through 14. See instructions | 15 | 9,000 |
| 16 | Enter the total amount of qualified expenses incurred in 2021 for the care of the qualifying person(s) | 16 | 20,000 |
| 17 | Enter the smaller of line 15 or 16 | 17 | 9,000 |
| 18 | Enter your earned income . See instructions | 18 | 120,000 |
| 19 | Enter the amount shown below that applies to you. • If married filing jointly, enter your spouse's earned income (if you or your spouse was a student or was disabled, see the instructions for line 5). • If married filing separately, see instructions. • All others, enter the amount from line 18. | 19 | 120,000 |
| 20 | Enter the smallest of line 17, 18, or 19 | 20 | 9,000 |
| 21 | Enter \$10,500 (\$5,250 if married filing separately and you were required to enter your spouse's earned income on line 19). If you entered an amount on line 13, add it to the \$10,500 or \$5,250 amount you enter on line 21. However, don't enter more than the maximum amount allowed under your dependent care plan. See instructions | 21 | 10,500 |
| 22 | Is any amount on line 12 or 13 from your sole proprietorship or partnership? <input checked="" type="checkbox"/> No . Enter -0-. <input type="checkbox"/> Yes . Enter the amount here | 22 | 0 |
| 23 | Subtract line 22 from line 15 | 23 | 9,000 |
| 24 | Deductible benefits. Enter the smallest of line 20, 21, or 22. Also, include this amount on the appropriate line(s) of your return. See instructions | 24 | 0 |
| 25 | Excluded benefits. If you checked "No" on line 22, enter the smaller of line 20 or 21. Otherwise, subtract line 24 from the smaller of line 20 or line 21. If zero or less, enter -0- | 25 | 9,000 |
| 26 | Taxable benefits. Subtract line 25 from line 23. If zero or less, enter -0-. Also, include this amount on Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a. On the dotted line next to Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a, enter "DCB" | 26 | 0 |

Part III, cont. – Excess of Expenses over DCB

To claim the child and dependent care credit,
complete lines 27 through 31 below.

| | | | |
|-----------|--|-----------|--------|
| 27 | Enter \$8,000 (\$16,000 if two or more qualifying persons) | 27 | 16,000 |
| 28 | Add lines 24 and 25 | 28 | 9,000 |
| 29 | Subtract line 28 from line 27. If zero or less, stop . You can't take the credit. Exception. If you paid 2020 expenses in 2021, see the instructions for line 9b | 29 | 7,000 |
| 30 | Complete line 2 on page 1 of this form. Don't include in column (c) any benefits shown on line 28 above. Then, add the amounts in column (c) and enter the total here $5,500 + 5,500$ | 30 | 11,000 |
| 31 | Enter the smaller of line 29 or 30. Also, enter this amount on line 3 on page 1 of this form and complete lines 4 through 11 | 31 | 7,000 |

Part II – Qualifying Persons and Credit Math**Part II Credit for Child and Dependent Care Expenses**

- 2** Information about your **qualifying person(s)**. If you have more than three qualifying persons, see the instructions and check this box ☐ *

| (a) Qualifying person's name | | (b) Qualifying person's social security number | (c) Qualified expenses you incurred and paid in 2021 for the person listed in column (a) |
|------------------------------|------|--|--|
| First | Last | | |
| SAMMY | HART | 111-22-4444 | 5,500 |
| CARL | HART | 111-22-5555 | 5,500 |
| | | | * NOT PAID THRU DCB |

| | | | |
|-----------|--|-----------|---------|
| 3 | Add the amounts in column (c) of line 2. Don't enter more than \$8,000 if you had one qualifying person or \$16,000 if you had two or more persons. If you completed Part III, enter the amount from line 31 | 3 | 7,000 |
| 4 | Enter your earned income . See instructions | 4 | 120,000 |
| 5 | If married filing jointly, enter your spouse's earned income (if you or your spouse was a student or was disabled, see the instructions); all others , enter the amount from line 4 | 5 | 120,000 |
| 6 | Enter the smallest of line 3, 4, or 5 | 6 | 7,000 |
| 7 | Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11 . 7 150,000 | | |
| 8 | Enter on line 8 the decimal amount shown below that applies to the amount on line 7. • If line 7 is \$125,000 or less, enter .50 on line 8. • If line 7 is over \$125,000 and no more than \$438,000, see the instructions for line 8 for the amount to enter. • If line 7 is over \$438,000, don't complete line 8. Enter zero on line 9a. You may be able to claim a credit on line 9b. | 8 | x.37 |
| 9a | Multiply line 6 by the decimal amount on line 8 | 9a | 2,590 |
| b | If you paid 2020 expenses in 2021, complete Worksheet A in the instructions. Enter the amount from line 13 of the worksheet here. Otherwise, go to line 10 | 9b | |
| 10 | Add lines 9a and 9b and enter the result. If you checked the box on line B above, this is your refundable credit for child and dependent care expenses ; enter the amount from this line on Schedule 3 (Form 1040), line 13g, and don't complete line 11. If you didn't check the box on line B above, go to line 11 | 10 | 2,590 |
| 11 | Nonrefundable credit for child and dependent care expenses. If you didn't check the box on line B above, your credit is nonrefundable and limited by the amount of your tax; see the instructions to figure the portion of line 10 that you can claim and enter that amount here and on Schedule 3 (Form 1040), line 2 | 11 | |

2021 Phaseout Schedule

| If line 7 is: | | | | If line 7 is: | | | |
|---------------|---------------|---|--|---------------|---------------|---|--|
| Over: | But not over: | The decimal amount to enter on line 8 is: | | Over: | But not over: | The decimal amount to enter on line 8 is: | |
| \$0 | – \$125,000 | .50 | | \$175,000 | – \$177,000 | .24 | |
| 125,000 | – 127,000 | .49 | | 177,000 | – 179,000 | .23 | |
| 127,000 | – 129,000 | .48 | | 179,000 | – 181,000 | .22 | |
| 129,000 | – 131,000 | .47 | | 181,000 | – 183,000 | .21 | |
| 131,000 | – 133,000 | .46 | | 183,000 | – 400,000 | .20 | |
| 133,000 | – 135,000 | .45 | | 400,000 | – 402,000 | .19 | |
| 135,000 | – 137,000 | .44 | | 402,000 | – 404,000 | .18 | |
| 137,000 | – 139,000 | .43 | | 404,000 | – 406,000 | .17 | |
| 139,000 | – 141,000 | .42 | | 406,000 | – 408,000 | .16 | |
| 141,000 | – 143,000 | .41 | | 408,000 | – 410,000 | .15 | |
| 143,000 | – 145,000 | .40 | | 410,000 | – 412,000 | .14 | |
| 145,000 | – 147,000 | .39 | | 412,000 | – 414,000 | .13 | |
| 147,000 | – 149,000 | .38 | | 414,000 | – 416,000 | .12 | |
| 149,000 | – 151,000 | .37 | | 416,000 | – 418,000 | .11 | |
| 151,000 | – 153,000 | .36 | | 418,000 | – 420,000 | .10 | |
| 153,000 | – 155,000 | .35 | | 420,000 | – 422,000 | .09 | |
| 155,000 | – 157,000 | .34 | | 422,000 | – 424,000 | .08 | |
| 157,000 | – 159,000 | .33 | | 424,000 | – 426,000 | .07 | |
| 159,000 | – 161,000 | .32 | | 426,000 | – 428,000 | .06 | |
| 161,000 | – 163,000 | .31 | | 428,000 | – 430,000 | .05 | |
| 163,000 | – 165,000 | .30 | | 430,000 | – 432,000 | .04 | |
| 165,000 | – 167,000 | .29 | | 432,000 | – 434,000 | .03 | |
| 167,000 | – 169,000 | .28 | | 434,000 | – 436,000 | .02 | |
| 169,000 | – 171,000 | .27 | | 436,000 | – 438,000 | .01 | |
| 171,000 | – 173,000 | .26 | | 438,000 | – No limit | .00 | |
| 173,000 | – 175,000 | .25 | | | | | |

Additional Facts:

Beth pays \$1,000 per month for a bronze plan from the health insurance marketplace for herself and her three kids in a state where the second lowest cost silver plan (SLCSP) is \$1,522.50 per month. Daughter Becky is required to file a return. Her \$12,000 AGI will count as part of family income in calculating Beth's annual contribution amount. FPL for a family of four is \$26,200, and 400% of that amount is \$104,500. In past years, this meant that Beth's income would have been too high for her to claim PTC.

For 2021 and 2022, it means she is expected to pay a maximum of 8.5% of her income towards her family's health insurance.

Table for Line 7 Applicable Figure (Redacted)



If the amount on line 5 is 150 or less, your applicable figure is 0.0000. If the amount on line 5 is 400 or more, your applicable figure is 0.0850.

| IF Form 8962, line 5, is ... | ENTER on Form 8962, line 7 ... | IF Form 8962, line 5, is ... | ENTER on Form 8962, line 7 ... | IF Form 8962, line 5, is ... | ENTER on Form 8962, line 7 ... | IF Form 8962, line 5, is ... | ENTER on Form 8962, line 7 ... | IF Form 8962, line 5, is ... | ENTER on Form 8962, line 7 ... |
|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| less than 150 | 0.0000 | 200 | 0.0200 | 251 | 0.0404 | 302 | 0.0605 | 353 | 0.0733 |
| 150 | 0.0000 | 201 | 0.0204 | 252 | 0.0408 | 303 | 0.0608 | 354 | 0.0735 |
| 151 | 0.0004 | 202 | 0.0208 | 253 | 0.0412 | 304 | 0.0610 | 355 | 0.0738 |
| 195 | 0.0180 | 246 | 0.0384 | 297 | 0.0588 | 348 | 0.0720 | 399 | 0.0848 |
| 196 | 0.0184 | 247 | 0.0388 | 298 | 0.0592 | 349 | 0.0723 | 400 or more | 0.0850 |
| 197 | 0.0188 | 248 | 0.0392 | 299 | 0.0596 | 350 | 0.0725 | | |
| 198 | 0.0192 | 249 | 0.0396 | 300 | 0.0600 | 351 | 0.0728 | | |
| 199 | 0.0196 | 250 | 0.0400 | 301 | 0.0603 | 352 | 0.0730 | | |

Form 8962, Part I

- A. If you, or your spouse (if filing a joint return), received, or were approved to receive, unemployment compensation for any week beginning during 2021, check the box. See instructions. ☐
- B. You cannot take the PTC if your filing status is married filing separately unless you qualify for an exception. See instructions. If you qualify, check the box ☐

Part I Annual and Monthly Contribution Amount

| | | | | |
|----|--|----|--------|---|
| 1 | Tax family size. Enter your tax family size. See instructions | | 1 | 4 |
| 2a | Modified AGI. Enter your modified AGI. See instructions | | 2a | 150,000 |
| b | Enter the total of your dependents' modified AGI. See instructions | | 2b | 12,000 |
| 3 | Household income. Add the amounts on lines 2a and 2b. See instructions | | 3 | 162,000 |
| 4 | Federal poverty line. Enter the federal poverty line amount from Table 1-1, 1-2, or 1-3. See instructions. Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC | | 4 | 26,200 |
| 5 | Household income as a percentage of federal poverty line (see instructions) | | 5 | 401% |
| 6 | Reserved for future use | | | |
| 7 | Applicable figure. Using your line 5 percentage, locate your "applicable figure" on the table in the instructions | | 7 | .085 |
| 8a | Annual contribution amount. Multiply line 3 by line 7. Round to nearest whole dollar amount | 8a | 13,770 | b Monthly contribution amount. Divide line 8a by 12. Round to nearest whole dollar amount |
| | | 8b | 1,148 | |

Form 8962, Part II

Part II Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

- 9 Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage? See instructions.
☐ Yes. Skip to Part IV, Allocation of Policy Amounts, or Part V, Alternative Calculation for Year of Marriage. ☐ No. Continue to line 10.
- 10 See the instructions to determine if you can use line 11 or must complete lines 12 through 23.
☐ Yes. Continue to line 11. Compute your annual PTC. Then skip lines 12-23 and continue to line 24. ☐ No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.

| Annual Calculation | (a) Annual enrollment premiums (Form(s) 1095-A, line 33A) | (b) Annual applicable SLCSP premium (Form(s) 1095-A, line 33B) | (c) Annual contribution amount (line 8a) | (d) Annual maximum premium assistance (subtract (c) from (b); if zero or less, enter -0-) | (e) Annual premium tax credit allowed (smaller of (a) or (d)) | (f) Annual advance payment of PTC (Form(s) 1095-A, line 33C) |
|--------------------|---|--|--|---|---|--|
| 11 Annual Totals | 12,000 | 18,270 | 13,770 | 4,500 | 4,500 | |

Additional Facts:

On June 1, 2020 Beth took out \$90,000 from her traditional IRA after she was laid off from her job. Even though Beth was only 40 years old, no 10% early withdrawal penalty applies because this qualified as a coronavirus-related distribution (CRD). Beth filed 2020 Form 8915-E electing to spread income recognition out over three years. In 2021, Beth files Form 8915-F, recognizing \$30,000 current year income. She will file Form 8915-F again next year to recognize the final \$30,000.

Part I Total Distributions From All Retirement Plans (Including IRAs).

CAUTION • For coronavirus, check this box. ☒ Do not enter a disaster name, a disaster beginning date, or an earliest distribution date below. Coronavirus-related distrib. can be made on or after or after January 1, 2020, and before December 31, 2020.
 • For 2020, qualified 2020 disaster distributions for a disaster other than the coronavirus can be made at any time in 2020 on or after the disaster's beginning date. See instructions.

Disaster name

Disaster beginning date

Complete lines 1 through 4 of one column before going to the next column.

| | (a) Total distributions in 2020 (see instructions) | (b) Qualified 2020 disaster distributions made in 2020 (see instructions) | (c) Allocation of column (b) (see instructions) |
|--|---|--|--|
| Distributions from retirement plans (other than IRAs) | | | |
| 1 Date earliest distribution made <input type="text"/> | | | |
| Distributions from traditional, SEP, and SIMPLE IRAs | | | |
| 2 Date earliest distribution made <input type="text"/> | 90,000. | 90,000. | |
| Distributions from Roth IRAs | | | |
| 3 Date earliest distribution made <input type="text"/> | | | |
| 4 Totals. Add lines 1 through 3 in columns (a) and (b). Complete column (c) if line 4, column (b), is more than \$100,000. Otherwise, leave column (c) blank | 90,000. | 90,000. | 100,000 |

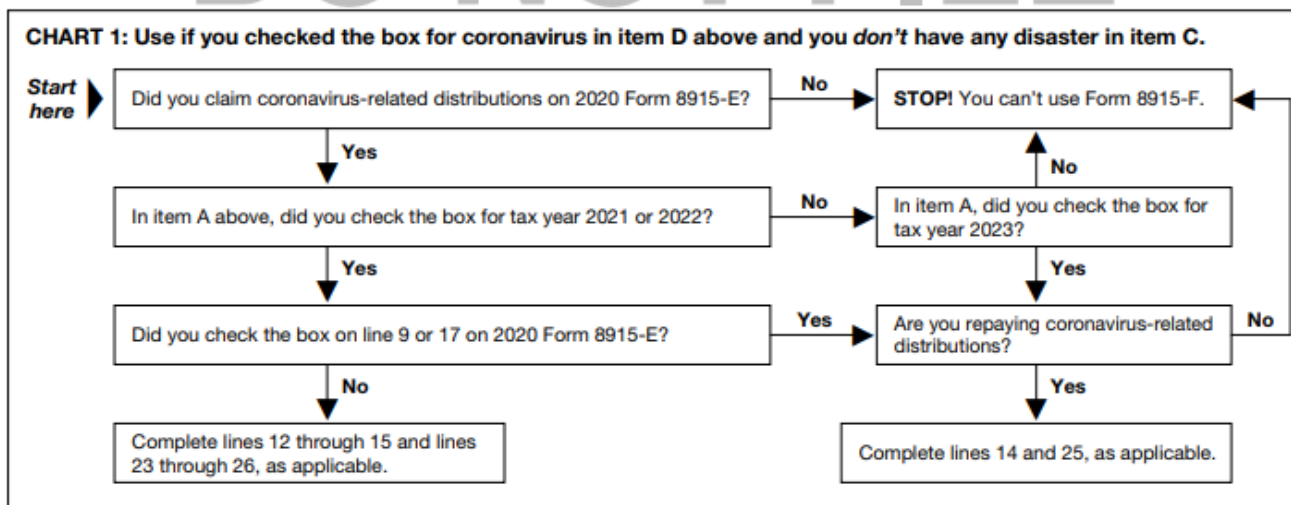
2020 Form 8915-E, Part III

| | | |
|---|----|--------|
| 15 If you completed line 2, column (c), enter that amount. Otherwise, enter the amount from line 2, column (b), if any. Don't include on line 15 any amounts reported on 2020 Form 8606 | 15 | 90,000 |
| 16 Add lines 13, 14, and 15 | 16 | 90,000 |
| 17 If you elect NOT to spread the taxable amount over 3 years, check this box <input type="checkbox"/> and enter the amount from line 16 (see instructions). You must check this box if you checked the box on line 9. Otherwise, divide line 16 by 3.0 | 17 | 30,000 |
| 18 Enter the total amount of any repayments you made before filing your 2020 tax return. But don't include any repayments made later than the due date (including extensions) for that return. Don't use this form to report repayments of qualified 2016, 2017, 2018, or 2019 disaster distributions. See instructions | 18 | |
| 19 Amount subject to tax in 2020. Subtract line 18 from line 17. If zero or less, enter -0-. Include this amount in the total on 2020 Form 1040, 1040-SR, or 1040-NR, line 4b | 19 | 30,000 |

Form 8915-F, Use Flowchart 1 if CRD Only

D If your disaster is the coronavirus, check this box ☐ Don't list the coronavirus in item C.

Which lines on this form should I use? See CHARTS 1 and 2 below.



Form 8915-F, Lines 23-26

| | | | |
|-----------|--|-----------|--------|
| 23 | Enter the amount, if any, from Worksheet 4 in the instructions. This is your income for prior years from IRA-retirement-plan qualified disaster distributions. | 23 | 30,000 |
| 24 | Add lines 22 and 23. This is your total income this year from IRA-retirement-plan qualified disaster distributions | 24 | 30,000 |
| 25 | Total repayment. Enter the amount, if any, from Worksheet 5. This is your total repayment for this year of IRA-retirement-plan qualified disaster distributions | 25 | 0 |
| 26 | Amount subject to tax. Subtract line 25 from line 24. If zero or less, enter -0-. Include this amount in the total on line 4b of this year's Form 1040, 1040-SR, or 1040-NR. See instructions | 26 | 30,000 |

Form 1040 – income and charitable deduction

| | | | |
|------------|---|------------|--------------------|
| 1 | Wages, salaries, tips, etc. Attach Form(s) W-2 | 1 | 120,000. |
| 2a | Tax-exempt interest | 2b | Taxable interest |
| 3a | Qualified dividends | 3b | Ordinary dividends |
| 4a | IRA distributions | 4b | Taxable amount |
| 5a | Pensions and annuities | 5b | Taxable amount |
| 6a | Social security benefits | 6b | Taxable amount |
| 7 | Capital gain or (loss). Attach Schedule D if required. If not required, check here | 7 | |
| 8 | Other income from Schedule 1, line 10 | 8 | |
| 9 | Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income | 9 | 150,000. |
| 10 | Adjustments to income from Schedule 1, line 26 | 10 | |
| 11 | Subtract line 10 from line 9. This is your adjusted gross income | 11 | 150,000. |
| 12a | Standard deduction or itemized deductions (from Schedule A) | 12a | 18,800. |
| b | Charitable contributions if you take the standard deduction (see instr.) | 12b | 300. |
| c | Add lines 12a and 12b | 12c | 19,100. |
| 13 | Qualified business income deduction from Form 8995 or Form 8995-A | 13 | |
| 14 | Add lines 12c and 13 | 14 | 19,100. |
| 15 | Taxable income. Subtract line 14 from line 11. If zero or less, enter -0- | 15 | 130,900. |

Other dependent credit flows to Form 1040, line 19.

Beth's two refundable credits flow to Schedule 3, page 2

No Recovery Rebate Credit on Form 1040, line 30 because Beth received full amount of EIP3.

| | | | |
|-----|--|-----|---------|
| 16 | Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> | 16 | 23,985 |
| 17 | Amount from Schedule 2, line 3 | 17 | |
| 18 | Add lines 16 and 17 | 18 | 23,985 |
| 19 | Nonrefundable child tax credit or credit for other dependents from Schedule 8812 | 19 | 500 |
| 20 | Amount from Schedule 3, line 8 | 20 | |
| 21 | Add lines 19 and 20 | 21 | 500 |
| 22 | Subtract line 21 from line 18. If zero or less, enter -0- | 22 | 23,485 |
| 23 | Other taxes, including self-employment tax, from Schedule 2, line 21 | 23 | |
| 24 | Add lines 22 and 23. This is your total tax | 24 | 23,485 |
| 25 | Federal income tax withheld from: | | |
| a | Form(s) W-2 SEE STATEMENT 3 | 25a | 14,000. |
| b | Form(s) 1099 | 25b | |
| c | Other forms (see instructions) | 25c | |
| d | Add lines 25a through 25c | 25d | 14,000 |
| 26 | 2021 estimated tax payments and amount applied from 2020 return | 26 | |
| 27a | Earned income credit (EIC) Check here if you were born after January 1, 1998, and before January 2, 2004, and you satisfy all the other requirements for taxpayers who are at least age 18, to claim the EIC. See instr. <input type="checkbox"/> | 27a | |
| b | Nontaxable combat pay election | 27b | |
| c | Prior year (2019) earned income | 27c | |
| 28 | Refundable child tax credit or additional child tax credit from Schedule 8812 | 28 | 1,400. |
| 29 | American opportunity credit from Form 8863, line 8 | 29 | |
| 30 | Recovery rebate credit. See instructions | 30 | |
| 31 | Amount from Schedule 3, line 15 | 31 | 7,090. |
| 32 | Add lines 27a and 28 through 31. These are your total other payments and refundable credits | 32 | 8,490 |
| 33 | Add lines 25d, 26, and 32. These are your total payments | 33 | 22,490 |

GROUP STUDY MATERIALS

A. Discussion Problems

Your clients, Rose and Pat, are married filing jointly. They bring in their information for the 2021 tax year. You determine that they have received advanced payments of their projected 2021 child tax credit. Additionally, you have determined that they are entitled to a premium tax credit for 2021 and also that they took a coronavirus-related distribution (CRD) from a qualified retirement plan.

Required:

1. What information do you need to reconcile the child tax credit, and what schedule will you use to report it?
2. What form will you use to report the premium tax credit?
3. What additional information will you need regarding the CRD, and what form will be used?

B. Suggested Answers to Discussion Problems

1. Obtain from the clients Letter 6419, which will detail the amounts the IRS claims the taxpayers received as advanced payments of the child tax credit. Since they are married filing jointly, they would have each received a Letter 6419. You will need to verify the amounts on the letters are correct. The actual credit will be determined using Schedule 8812.
2. The premium tax credit is determined using Form 8962.
3. Obtain from the client a copy of the 2020 Form 8915-E to determine the amount and whether they elected to spread the income over three years. The current year's tax will be reported using Form 8915-F. If they paid it back, then use Form 8915-F to report the repayment (reinvestment) and also amend the 2020 return to exclude that income.

PART 3. BUSINESS TAXATION

Important Filing Considerations – 2021 Tax Year

In recent years, taxpayers and practitioners have had to deal with new tax legislation, new and revised tax forms, delayed processing of tax returns, and the resulting delay of checks to the IRS being cashed or tax refunds being issued. It is anticipated that the 2022 filing season will be just as difficult to navigate, especially for taxpayers whose prior-year returns have not been processed or for taxpayers whose records reflect different numbers than the IRS. For example, if the economic impact payment, advance child tax credit, or prior-year adjusted gross income amounts differ, a tax return may be flagged for review. Ian Redpath and Bob Lickwar discuss some of the more significant issues that taxpayers and practitioners should be aware of as they approach the 2022 filing season.

Let's join Ian Redpath and Bob Lickwar as they discuss important filing considerations for the 2021 tax year returns.

Mr. Redpath

Bob, welcome to the program.

Mr. Lickwar

Thanks, Ian. Great to be here.

Mr. Redpath

It's always great to have you and get your insights on this. There's I think a lot of things, and we could go over a lot of different things that are going to happen in this filing year. But I really think there's a few things that are really important and they could cause serious problems for us in filing season. Let's limit our conversation, and we'll talk about a few of the things that really could be problematic for clients that the IRS has said, "Hey, there's some issues here," but before we get to that, some of our viewers are EAs or enrolled agents. Bob, you're a CPA. What's an enrolled agent? A lot of people don't even know what an enrolled agent is.

Mr. Lickwar

Well, Ian, an enrolled agent is a non CPA, who's basically licensed to practice before the IRS. They can prepare tax returns, they can sign tax returns, they can assist their clients with their audits. And it's a designation, Ian. It requires you to be licensed. It requires you to have CPE requirements, 72 hours every three years, 16 in any given year. The IRS requires you to renew that every three years or every time it rolls around based on the last digit of your social security number. Before you head into tax season, and e-filing has opened up on January 24th, it's time for everybody to make sure that you're renewed and eligible to prepare those returns.

Mr. Redpath

And Publication 5186, the IRS has come out with a publication for our enrolled agents' viewing, which kind of gives you what you need to do because they believe there was a lot of confusion on re-enrolling and also on the CPE requirements....

Mr. Lickwar

My understanding, Ian, if I could interrupt, my understanding is that exam is relatively tough. I've actually taken it.

Mr. Redpath

An issue that's come up, the IRS we know is so far behind in processing returns. And that is going to be when we file, if we try to e-file a 2021 return, because it's very possible that our 2020 return for our client has still not been processed and/or we have an amended number. And amended returns, I think they're what, 8 million behind right now, or something like that in process?

Mr. Lickwar

It's up to about 11.7 [million] now, Ian.

Mr. Redpath

Is it now?

Mr. Lickwar

It's getting worse by the day, it seems.

Mr. Redpath

Yes. It's going to be a serious problem because the software's going to—when we go to e-file, it's going to populate with the AGI number from last year. But if the return hasn't been processed, that's not the AGI number that the IRS is going to be looking for on our e-filing, so we're just going to get rejected. They've come out with guidance on that. What are we supposed to do in that situation?

Mr. Lickwar

Well, the first thing I guess you've got to address, Ian—Is the client going to know or are you going to know whether the return's been processed? My suggestion there is if you haven't gotten the refund yet, and you go to the "where's my refund" section on [irs.gov](https://www.irs.gov), it'll tell you that the return is in process. But I would make sure that clients have taxpayer accounts where they can actually get transcripts, because that will really help. But Ian, if the return has not been processed, the IRS has instructed us to enter zero for AGI. If we have someone who was a non-filer, but actually submitted to get the child tax credit, but otherwise didn't file a return, the IRS tells us to use a dollar, \$1 as their AGI.

I agree with you. I think this is extremely problematic. I think a lot of returns are going to bounce because people don't know this, and it's going to add to a tax season, we're going on part three now with the COVID pandemic. And I'm already seeing that states are starting to extend filing deadlines. I'm just praying that the IRS does not do the same. But make sure that you note those helpful tips. That'll stop the number of rejections when you go to e-file.

Mr. Redpath

I think you brought up an interesting point and... I think it's important to work with the client, set up the online account. There's a lot of the information that you can get through that online account as really something that will be helpful in preparing, as the preparer in preparing the returns. Viewing the economic impact payments, what are they saying? Accessing the child tax credit portal. Some of these things are really important; and you can get a lot of information, I think from that portal, or the client can for you get a lot of that information from that portal. Sometimes, if we're going to get that information, we may want to file a 2848 or the 8821. But we can do that online now because, again, they were so far behind in processing powers of attorney. This Tax Pro [Account]—what is the Tax Pro?

Mr. Lickwar

The Tax Pro is an account that we can set up as preparers, Ian. We go through a verification process. I actually tried to set mine up and had some issues. They didn't identify me from a driver's license and from my passport either.

I'm going to try and get back in there and get in it because it's really going to be the wave of the future. When we talk about our clients, the bottom line is you can't get through to an agent to talk to someone on the phone. And in a lot of cases, even when you can get through, they're unable to help because they don't have the information at their fingertips. The way they're going to handle this is with fewer people as well, is that they're going to go in, they're going to want to make sure people have accounts set up. They're going to do everything digitally. It's the way the world is moving. And it's also the way the IRS is going to move.

Mr. Redpath

Right. And again, they'll allow for a paper signature and then you're going to upload it or electronic signatures under this. And that's IR-2021-20 that came out. Again, something to look at.

The \$250, just a reminder that the \$250 educator [expense deduction] applies to PPE. I think that's just something to keep in mind. There's a change with the charitable contributions now, with the above-the-line change. What's going on with that for us to keep in mind?

Mr. Lickwar

The above-the-line deduction. We know that more than 90% of people are not itemizing anymore. They're claiming the standard deduction, which is a pretty healthy number on a married filing joint return. But as part of the pandemic and response to the pandemic—not necessarily, the contributions don't have to be for pandemic purposes—but charities have been adversely affected here, Ian. And Congress said, "You know what? We want to give some incentive to people to continue to give to charities. We'll give you a \$300 above-the-line deduction." That applied to all filing statuses for 2020, including married joint. The big change is for 2021; there's a \$600 limit for taxpayers filing jointly. Of course, credit card contributions will count as long as they post by December 31st. Cash contributions, they have to have your receipts. There's actually an increased penalty amount if you've overstated the deduction; keep that in mind.

Contributions to donor-advised funds, Ian, also to private foundations, do not qualify. Also, make note that for 2021, the AGI limit on contributions is 100% of AGI. But also remember, that's optional. Let's say a 100% deduction gets you into a place where your tax rate is 15%. And you're thinking that 2022 is going to be a banner year with ordinary income. You may not want to take that full deduction at 15% or 0%. Keep note of that option as well.

Mr. Redpath

But that AGI limit that's been waived is for the 50% charities, cash. It doesn't apply to property... contributions; it's cash contributions to those charities.

Mr. Lickwar

That is correct. And no private foundations or donor-advised funds. Correct. Otherwise, the 60% limitation applies.

Mr. Redpath

But for 2021, there's that \$10,000 SALT limitation, which has caused a lot of people to end up not itemizing. That \$600 increase for married filing jointly, I think, is going to be important.

Mr. Lickwar

Me too.

Mr. Redpath

FSA, I think just a reminder that the carryover rules and the extended grace period apply for 2021. Medical expense, that 7-1/2% was made permanent. The volunteer fire people who get special treatment for local benefits like taxes and everything, those being excluded—that has been made permanent. Remember, no deduction for tuition, but we have standardized the limitation for the phaseout rules for the lifetime learning and the American opportunity tax credit.

Mr. Lickwar

Yes, that's actually really good news, Ian. No one was really taking the above-the-line deduction anyway, and that standardized [limitation] for lifetime and American opportunities, very beneficial to taxpayers.

Mr. Redpath

When clients come in and clients took or received the advanced child credit—as we know, in 2021 beginning in July, July through the end of the year—received payments of half of the amount of the child credit. And

remember the child credit was increased for 2021. The IRS has come out in News Release 2021-255—and this came out right at the end of December—and they said, "We're going to start issuing Letters 6419." Our viewers, many of them have clients coming in with a 6419. A lot of them will have clients who are going to say, "What? What letter? I didn't get any letter." This is going to cause a lot of problems, I think. So Bob, what do you see going on that's going to go on with the 6419 letter? What's on it? What should we be looking for? What should we be telling our clients? Make sure you've got this number? What is this?

Mr. Lickwar

First and foremost, Ian, make sure that you ask your clients for the letter; and you'll know who had the potential to receive advanced child tax credits based on their 2019 or 2020 AGI and their status of number of dependents. Make sure that you ask for the letter; that will verify what they received. The good news is, Ian, is that there'll be two letters issued. One to the taxpayer, one to the spouse. You've doubled your chances of at least getting one letter. That's the good news. Alternatively, Ian, there is a workaround here. If your client has set up their taxpayer account with the IRS, you could request that they go in and get you a transcript, which should be able to show the payments or they can get a replacement, theoretically, 6419 letter, which is going to report the number of advanced payments. Where it gets really tricky is if the client says, "No, I got something different than what the IRS is reporting."

Well, what are you going to do? Should you amend the return after you file it and then amend to take a credit? The IRS says, "Well, you really shouldn't do that." Should you use the IRS numbers that are given to you? I'm not sure if that's going to be successful. That's like paddling against the flow of the water. I would also think that the best way to do it is to report what your client actually received and tell them, "Look, we're going to get a notice." If you have that transcript at hand, or if you have, for example, bank statements that show the amount that went in, you could argue it that way. Either way, it seems that it's going to be problematic; but there are certainly ways to kind of minimize the pain or at least get the client ready for it.

Mr. Redpath

Could you use the IRS numbers so that the computer doesn't go wacky and then make an adjustment, another credit adjustment, and disclose it?

Mr. Lickwar

I think you can handle it that way as well, or maybe just use your numbers and put an attachment on the return itself on a footnote. We all know that the IRS reads the footnotes that are attached to the returns. I think either way, there's going to be some correspondence with the IRS, but I also think eventually they will straighten it out. The problem is once the notice is issued and the response is drafted, who knows how long it's going to take for them to get through it?

Mr. Redpath

If they don't have the letter, well, let's at least set up an account online. Because as you said, trying to get the IRS to either change the numbers or to get a new letter is probably an impossible task. What the IRS doesn't want though, and Bob, I think the IRS is saying, it's not going to be very effective to file an amended return. In other words, to use that number and then file an amended return. As you mentioned earlier, they're like 11 million behind in processing amended returns. They really don't want any more amended returns.

And you know one of the things I think that we miss on this child tax credit is the importance in asking the questions because if you've been denied, previously denied a child tax credit, you could have if it was due to fraud a 10-year period that it's not allowed.

Otherwise, if it's non-fraud but negligent, it's a two-year period that the child tax credit is disallowed. I think that's a question that you have to ask the client. "Have you ever been disallowed a child tax credit?" To determine whether or not that disallowance rule [applies]. And I think we've missed that a lot of the times that there's that disallowance; and I think that's something we have to ask the client going forward is, "Have you been disallowed?"

Mr. Lickwar

Ian, what a great point you raise; and this goes hand in hand with the Form 8867. And I believe that question is actually on the 8867. And what that comes to is we tend to get really busy during tax season, as you know, and we're filing returns that have 8867 disclosure requirements for education credits, child credits, et cetera. And we just assume, and when we answer the questions, "Well, I asked about that. Yes, they don't have Schedule C income," but are you actually sitting with the client and asking the question? Because that's really what the IRS wants. If the IRS ever were to audit

8867 information, I think that we would have a lot of people who may be in some trouble because they actually weren't asking the questions. You need to ask the questions, Ian. That is a great point. We can't get sloppy here.

Mr. Redpath

Yes. The 8867 is the due diligence; and the child tax credit is part of due diligence. You have to do the due diligence form. And here's the problem I see sometimes, Bob, is you have staff preparing the return. Have you asked the question? There's a tendency to just assume, "Well, they haven't been denied." Well, if you haven't asked the question, how do you know? And you get the return that the staff has prepared and that question was never asked. At a minimum, I think you have to take your client organizer and ask this type of question on that so that you know. Another letter...

Mr. Lickwar

Great point. Yes, [Letter] 6575. This is another due diligence issue, I think, Ian. This has to do with the economic impact payments, round 12, I guess. Now, it's actually round three. This is a \$1,400 per person credit and includes dependents who are in college and could include mom and dad who are living with you. The reality here is that some people will be aggressive to take the credit. You may see some new dependents on returns that were not there before. Your due diligence has to be, "It's fine that you've listed these dependents. Do you meet the qualifications?" And to actually list out the dependents and the various rules for your clients.

There's a lot of due diligence here. This is a pretty low phaseout level, \$150,000 to \$160,000 in AGI on a joint return. But it's the same stuff that we dealt with after the 2020 economic impact payments, when you asked the client, "Did you receive the stimulus payment?" They say no. "Well, you were eligible to." "No, I didn't get it." "Are you sure you didn't get it? Can you check your checkbook?" "Oh yes. There was an electronic deposit in it." And the last question is, "Do you ever reconcile your checkbook?" I mean, that's another service you can provide.

Mr. Redpath

Bob, that's a point that today, a lot of people, they do everything electronic now. They never reconcile. They pay their bills online. The old days of sitting with your

checkbook and reconciling with your monthly statement, I've had people look at me like I'm from Mars when I've talked about reconciling your checkbook. It's like, "Oh, why would I do that? It's all online."

Mr. Lickwar

Ian, I do that online. My checkbook is on an Excel spreadsheet, right? But I reconcile it online. Some people don't know that they got \$1,200 deposited into their account. Ian, I know that you owe me 10 bucks from a lunch 12 years ago. I mean, so I guess I don't understand what's going on here, but oh well. I think this causes a little bit more confusion; but again, this is where the taxpayer account will help us out because those payments would have been posted as part of the transcript issue as well. A lot of tools available to us. Just don't forget to ask the question, and ask the client about the letter; and if they don't have it, frankly Ian, tell them to go and set up the account and get the letter for us. It's the easiest way about it.

Mr. Redpath

Here's one where I think we may have people miss, and this is new Form 7203. And the reason I say people might miss it is I think the assumption is that this is filed with the S return, with the 1120-S. But it's really not, right, Bob? It's filed with the 1040. What is this new form, 7203?

Mr. Lickwar

Well, it's really nothing new other than it's a new form. We've been reporting basis information about S corporations where we were taking deductions or we were taking distributions for the last 8 or 10 years now, pursuant to IRS guidance. This new form, Ian, will actually just take what we've been doing for the last 8 to 10 years and put it on a form. There are distinct sections in the form which talk about basis increases for stock, basis increases and decreases for loans. It will be tracking; and it's only going to be required if there are distributions or net basis adjustments that are negative.

My advice, and I will do this in my practice, Ian, is if I have S corporation shareholders, even if they're not required to file the form, I will have the form in there. I'm not big on giving the IRS anything more than they essentially need. But in this case, Ian, to have the form in there and set the precedent as far as the basis goes, even though that does nothing, I'm going to have the form put in there to track the basis.

Mr. Redpath

I think that's a good idea. I mean, you don't want to be trying to recreate everything five years from now, if something happens, but great. A great point.

Mr. Lickwar

A note on that, Ian. If I can make a note on there for our practitioners who are doing S corp returns, the last couple S corp return audits I've had have had loans or contributions to capital that have been made since say 2000. In this case, Ian, the client had all of the canceled checks to substantiate. The IRS is looking for that old information. So, it's very important to maintain your permanent files with that information or to ensure that your client has that information. That being said, I would not give in to an IRS agent that says you have zero basis. I would fight that all day long. But it's much better if you have the documentation.

Mr. Redpath

Absolutely, great point! Another area where I think we could see some issues is the IRS came out with Notice 2022-1 telling lenders and service providers of student loans that were discharged under the temporary provision Section 108(f)(5). And this was a temporary provision for discharge of debt. They said, "Don't file a 1099-C." Well, I can see what's going to happen is we're going to get 1099-Cs. Because it's not taxable income, what do you do? Your client comes in; they've got a 1099-C. They say, "Well, that was a student debt." You're going to look at 108(f)(5) and go, "Well, no, that is that temporary provision where that discharge is not taxable." But now, you've got this 1099-C from the lender. A little bit late notice, I think, to the lenders to tell them not to be doing this. What are you going to do when that happens?

Mr. Lickwar

Well, first and foremost, we're used to certain student loan debts being dischargeable. For example, if I serve the rural community as a medical professional. This is basically a no-holds-barred exclusion, Ian, assuming you meet the tests of 108(f)(5); and almost any debt can fall under this. Now, you need to check the rules and be specific when your client comes to you. But if I get a 1099-C, I will actually report it as other income, back it out, and attach a footnote to the return to say that 108(f)(5) applies. Again, we know the IRS reads footnotes. It should go swimmingly, Ian, and seamless;

but that's the way I'll handle it. I'll pick it up and then back it out under the 108(f)(5) exclusion.

Mr. Redpath

If you don't do it that way, you'll probably at a minimum get a letter CP2000 saying, "Hey, you failed to report this discharge of debt income, and now you're going to have to go through that process." I agree with you 100%. Put it in, that should avoid the CP2000; back it out and disclose, file a disclosure.

Mr. Lickwar

Yes, and if there's another adjustment line for other, I may even consider doing the back out on that line on either Schedule 1 or 2. I may go about it that way as well.

Mr. Redpath

Yes. That's how I would do it. I would do it as an other and just disclose it as a 108(f)(5) exclusion.

The cryptocurrency, this is going to be a huge issue. It's not just a huge issue. We know that broker reporting and the \$10,000, [Form] 8300—that is going to apply in 2023. But we've got to start preparing now with our clients on reporting of cryptocurrency. Just yesterday, Bob, I had a guy come in to me, and he was talking. He goes, "I was talking to my accountant and he said that I should talk to you because I had \$400,000. I had a crypto account." And it's like, "I don't have to report anything, right?" "Okay. Let's talk about this one." Right?

Mr. Lickwar

Right.

Mr. Redpath

In 2021, they changed the wording that was on the top, right under the heading. And now it's changed to say, "Did you receive, sell, exchange, or otherwise dispose of any financial interest in virtual currency?" Before, it said "otherwise acquire." The wording has changed. And never leave it blank. Do not leave it blank. You leave it blank, you're going to hear from the IRS. You've got to answer that question. And of course, your software should give you a diagnostic that you didn't answer the question. But virtual currency, a lot of people don't even understand it. They don't understand that it's property. And we also now have this new term that's going to come into play called the digital asset, which is extremely broad. It's not real currency, but

things like receipt of virtual currency as a payment for goods and services. Some athletes recently last year, NFL players said, "I want half my salary in Bitcoin." Okay, well, that's still income to you.

The receipt or transfer of virtual currency for free, without providing any consideration, that's not a gift. Okay. That's income. The receipt of virtual currency from mining or staking activities. When you start talking about mining, staking activities, the receipt of virtual currency from a hard fork, some people who are listening to the program are going, "What? Mining? Hard fork? Staking? What the heck are you talking about, Ian?" Well, these are all terms that are out there that have potentially tax consequences that we really need to look at closely. Bob, where are we on this? And what are you doing with virtual currency for 2021 returns?

Mr. Lickwar

Yes, there's absolutely a lot going on here, Ian. The omission of the acquire language in the question on the top of the 1040 basically absolves people who buy cryptocurrency or digital assets in a traditional or brokerage account and really don't do anything with it. It just sits there as an investment. You don't have to report that to the IRS. But if you receive cryptocurrency as compensation or in a hard fork, checking the box yes, in my practice, Ian, also comes with an explanation as to what happened. With respect to actual transactions, people need to know that if you purchased a Bitcoin for \$5, and now it's worth \$8 when you redeem it to buy a cup of Starbucks coffee, guess what? You've got a gain recognition transaction; and beginning in 2023, those currency exchanges are going to start reporting that information to the IRS.

But the other thing you need to know is that in 2022, the 1099-K reporting requirements have been scaled down from \$20,000 and 200 transactions to \$600. Won't it be funny when you hold a virtual tag sale and you get rid of that old Maytag washer for 725 bucks, and you do it through PayPal, and now a 1099-K comes rolling in? I know what everybody's thinking. That's a personal transaction, and you just tell them that. Well, prove it to me is what I'm going to say. You mentioned mining transactions. I mean, if you are in the trade or business of mining currency, you probably are filing Schedule C. But if that's not your primary source of income, it seems to me that you have ordinary income

and hobby expenses, which of course are nondeductible.

Be very aware here, audience, that the IRS has an operation going on right now called Operation Buried Treasure. They know that the compliance rate with respect to cryptocurrency and virtual assets is very low. They know that there are some really bad actors who are conducting illicit transactions through virtual currency, and they are on the lookout for sure. I think it's a great idea, Ian, to give your clients a five-second rundown, because I think many more than you think are actually investing in virtual currency or receiving it in one form or another.

Mr. Redpath

Now, the other thing to remember as the practitioner is that this is property. Now, if it's for services, like the athletes I was talking about, then no, that's going to be ordinary income. But generally, transactions in virtual currency, the IRS has said that's property. What you're going to be doing is you're going to be reporting it on the 8849 and then on Schedule D because it's a property transaction; and that's missed a lot. How do I actually report these transactions? Keep that all in mind as we do it. The last thing, Bob, and I'll say FinCEN, that the IRS did say that virtual currency, at least as of now, is not subject to the FBAR reporting. I'm not sure that's going to continue.

Mr. Lickwar

I agree.

Mr. Redpath

There's a whole issue going on right now with FBARs. And I'm referring to the *Hughes* case and the *Bittner* case, which I think is very important right now because FBARs, we've got to ask the questions of our clients. And I don't think it's just a matter of saying, "Hey, do you have anything offshore?" "No." Okay. Boom, boom. Because a lot of times we find out they might have something that they didn't even think about or they weren't considering. The series of cases, *Hughes*, *Lothringer*, *Bittner*. In the one case, they didn't file Schedule B for one year. They said, "Well, that wasn't intentional." But the next year, you did file Schedule B and you didn't answer the questions. You just didn't answer the questions on the foreign accounts. That's willful. Now we get the *Bittner* case. And this is huge.

The difference between \$10,000 and \$2,737,000 in penalty. What's the *Bittner* case about?

Mr. Lickwar

Well, this is a gentleman, Ian, from Romania who was not familiar with the law; and it really didn't come down to even willful or not. I think the court was looking at him sympathetically saying, "This gentleman really didn't know that he had to report all of these accounts when he came back to the United States until he actually hired a CPA." But the question, we don't really care whether it's willful or not, because remember the difference between willful is \$10,000 and \$100,000 or 50% of the balance. In this case, Ian, we've had one circuit, the Ninth Circuit say the \$10,000 FBAR penalty is per FBAR, so each FinCEN 114. What the *Bittner* case held is that no, that's not correct. It's each account that was required to be reported. In this case, there were about 27 accounts that led to a \$2.7 million penalty.

Now, you've got a split between the circuits, Ian, and question, "Will the U.S. Supreme Court have to resolve this discrepancy?" Because I think we all know what's going to happen in the other circuits outside of the ninth is that the IRS is going to come looking for an FBAR penalty on each account. What I'm amazed at, Ian, and I know you're a litigator in the tax area by background, or I don't want to say really litigator, but you're a tax issue specialist. And you represent taxpayers. I'm just amazed that 12 years after the fact, we're still talking about FBAR's compliance. It's amazing to me because so much information has been out there, but that's where we are. The *Bittner* case is frightening.

Mr. Redpath

And I think it's important now that we actually—you have to tell the client how important it is about reporting everything. I mean, if it's applicable, you've got to report it because this per account, as you said, it's a \$10,000 penalty because of the FBAR, or \$2.7 [million]. I believe it was \$2,737,000 penalty that they actually assessed.

Mr. Lickwar

Yes, something like that.

Mr. Redpath

They said it's per account, not per FBAR. This whole issue of FBAR's rearing its ugly head again. Obviously, if we know the accounts, we should be reporting it. But I think the key thing to take out of this is where we are right now is the IRS is being aggressive. And number two is the fact that we need to make sure that much like the cryptocurrency, we need to make sure that these foreign accounts, that the client understands the importance of reporting these.

Mr. Lickwar

And one takeaway, Ian, I think when you sit with your clients and ask them these questions about these foreign accounts, we tend to brush it over and say, "Do you have a foreign bank account?" Let's go a little bit beyond that and say, "Do you have a financial account? Do you have stock in a foreign company for maybe a family member or a friend?" I mean, in many cases, people have immigrated to the United States from another country; and back home, they may still have some investments. Let's do them a favor and ask the question. If they sell real estate in a foreign country, you can pretty much assume that those proceeds are hitting a foreign bank account before they hit the United States. Let's warn them of that. There's a lot of things we can do here because the IRS knows it's around and it's pretty easy pickings for them.

Mr. Redpath

Just two quick ones. I had a situation where a guy, he was Greek, born and raised there, moved to the United States for work, worked here for years, retired, didn't file FBARs. Because what he had done is left money in accounts back in Greece. Never thought about it because he was a college professor, and he would go back to Greece and spend his summers in Greece. He had money in accounts there. And all of a sudden, we're looking at a potential criminal; and we did the voluntary compliance. If you remember, they used to have that.

The other one was the same type of situation, actually somebody from your area, at a university in Connecticut. He retired, he went back to Israel. He would go back and forth to Israel, but he left money in some accounts over there so that when he was there, he wasn't transferring funds. Never thought about the FBAR requirement. I got these cases on voluntary compliance to try to do it. But he wasn't telling his

accountant here about these accounts that he had over there because he didn't think that it was relevant. Well, fortunately, they got the voluntary compliance; but the IRS isn't so forgiving anymore. As you said, very important questions to ask.

Mr. Lickwar

And what I'm concerned with, Ian, in a case like that is you as the preparer of the return. You may very well have the organizer that can help you out that the client checked yes or no. But if you're not asking the question specifically and it comes down to dollars on a penalty case, you can be rest assured that there's going to be some back and forth between you and the client. Well, why didn't you ask me this? The worst case is that you are losing a client and now you're battling over a "he said, she said." You want to avoid that to the extent possible.

Mr. Redpath

Yes, and as you mentioned, it's not just a bank account, and that's where a lot of confusion is. People think it's just a bank account, and it is not. It's a financial interest. Foreign account is a very broad term. It's not just a bank account.

Bob, I want to thank you for being here. Thank you for your insight. Really appreciate it. We'll have you on again soon. Thanks again, Bob.

Mr. Lickwar

Thanks, Ian. My pleasure.

SUPPLEMENTAL MATERIALS

Some Considerations in Filing 2021 Individual Returns

By Ian J. Redpath, JD, LLM

A. Introduction

There are a number of issues that must be considered in filing 2021 individual returns. Practitioners should be aware of these when preparing such returns.

B. General Enrolled Agent Information

Publication 5186 is an important resource for any enrolled agent in determining when they need to renew their enrollment and continuing education requirements. It is based on the last digit of their Social Security number.

C. Special Tip When E-filing 2021 Tax Return

In order to validate and successfully submit an electronically filed tax return to the IRS, taxpayers need their adjusted gross income, or AGI, from their most recent tax return. Many 2020 returns have not been processed due to an IRS backlog. If that is the case,

enter \$0 (zero dollars) for last year's AGI. If the taxpayer used a non-filer tool to register for an advance child tax credit or third economic impact payment, enter \$1 for prior year's AGI.

D. IRS News Release 2021-217

The IRS encourages taxpayers to set up an online account. If they are unable to verify their identity online, there is a mail option that can be used, but that takes longer. Taxpayers who have an online account may:

- View the amounts of their Economic Impact Payments;
- Access Child Tax Credit Update Portal for information about their advance child tax credit payments;
- Approve or reject authorization requests from their tax professional;
- Update their email address and opt-out/in for selected paper notice preferences;
- Update their income.

Charitable Contributions

This is a reminder that the TCDTR extends the deduction for non-itemizers through 2021. It will allow individual cash contributions of up to \$300 (\$600 for married filers) to be deducted above the line for cash contributions to qualified charitable organizations. [§170(p), as added by TCDTR §212(a)] There is an increased penalty of 50% applicable to tax underpayments attributable to any overstated cash contribution by non-itemizers. [§6662(l), as added by TCDTR §212(b)] Also, for itemizers in 2020 and 2021, the percentage limitation rules for individuals making qualified charitable contributions in cash to 50% charities do not apply. [§170(b)(1)(G)(i), as amended by TCDTR §213]

E. Temporary Rules for Health and Dependent Care Flexible Spending Arrangements

All unused amounts in a health or dependent care FSA may be carried over from the 2020 plan year to the 2021 plan year and from the 2021 plan year to the 2022 plan year. This rule also applies to dependent care FSAs. The grace period for a health FSA or dependent care FSA for a plan year ending in 2020 or 2021 may be extended from 2½ months to 12 months. An employee who ceases participation in a health FSA during 2020 or 2021 may continue to receive reimbursements from unused amounts through the end of the plan year in which the employee ceased to participate, including any grace period. For plan years ending in 2021, participants may prospectively modify their health FSA

or dependent care FSA contributions for any reason. The maximum age of a dependent for dependent care FSAs may be extended from 12 to 13 for eligible dependents who aged out of eligibility during the last plan year with a regular enrollment period ending on or before January 31, 2020. Additionally, employees with unused balances for such plan year due to the application of this rule may receive reimbursements of the unused balance in the following plan year. Plans adopting any of these voluntary changes generally needed to be amended by December 31, 2021. [TCDTR §214]

F. IRS News Release 2021-255

The advance CTC payments reflect at most half of a family's CTC payments for 2021. The IRS sent Letter 6419 to advance child tax credit (CTC) recipients. Two 6419 letters were sent to married couples, one to each spouse. Letter 6419 details the total amount of advance payments paid in 2021, how that amount was calculated, and the number of qualifying children used to calculate the advance payments.

If an individual's claim of the CTC is denied and the claim is determined to be due to fraud or to reckless or intentional disregard of the rules, that individual may not claim the CTC for the next ten or two years, respectively.

Specifically, no CTC is allowed for any tax year during a disallowance period, which is:

- (1) the 10-tax-year period after the most recent tax year for which there was a final determination that the taxpayer's CTC claim was due to fraud, and

- (2) the two-tax-year period after the most recent tax year for which there was a final determination that the taxpayer's CTC claim was due to reckless or intentional disregard of rules and regulations (but not due to fraud).

The taxpayer must then follow the recertification procedure when next claiming the CTC.

Any person who is a tax return preparer of any return or claim for refund who fails to comply with due diligence requirements imposed by the regs with regard to determining eligibility to file a CTC or an ACTC, must pay a penalty. The tax return preparer's completion of the Form 8867 must be based on information provided by the taxpayer to the tax return preparer or otherwise reasonably obtained or known by the tax return preparer.

G. IRS Letter 6475

The IRS began issuing Letter 6475 to EIP recipients in late January 2022. It will help the recipients of EIP to determine if they are entitled to and should claim the recovery rebate credit (RRC) on their 2021 tax year returns that they file in 2022. It only applies to the third round of economic impact payments issued starting in March 2021 through December 2021.

The third round of economic impact payments, including the "plus-up" payments, were advance payments of the 2021 RRC that would be claimed on a 2021 tax return.

Plus-up payments were additional payments the IRS sent to people who received a third economic impact payment based on a 2019 tax return or information received from SSA, RRB, or VA; or to people who may be eligible for a larger amount based on their 2020 tax return.

H. IRS Notice 2022-1

Generally, a discharged loan results in income to the borrower. Section 108(f)(5) provides that gross income does not include certain student loans discharged after December 31, 2020, and before January 1, 2026. This notice specifies that when this exclusion applies, the lender or loan servicer is not required to and should not file a Form 1099-C information return with the IRS or furnish a payee statement to the borrower reporting the discharge.

I. Cryptocurrency Form 1040 Reporting

The 2021 Form 1040 has the following question on the front page:

“At any time during 2021, did you receive, sell, exchange or otherwise dispose of any financial interest in any virtual currency? (Yes) (No)”

Note that in 2020, the question read: “At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?”

Virtual currency is a digital representation of value, other than a representation of the U.S. dollar or a foreign currency (real currency), that functions as a unit of account, a store of value, or a medium of exchange. If your only transactions involving virtual currency during 2021 were purchases of virtual currency for real currency, including the use of real currency electronic platforms such as PayPal and Venmo, you are not required to check the “Yes” box next to the virtual currency question.

Transactions in cryptocurrency are generally considered property transactions; therefore, use Form 8949 to figure capital gain or loss and report it on Schedule D, Form 1040. If it is received as compensation for services or disposed of as property held for sale to customers in a trade or business, it must be reported as the same type of income; for example, W-2 wages on Form 1040 or inventory or services from Schedule C on Schedule 1.

GROUP STUDY MATERIALS

A. Discussion Problems

Your clients, Peter and Patricia, are married and file joint returns. You find out that for the 2021 tax year, they qualify for a child tax credit and have received advance payments of the credit. Further, you learn that they have received the third economic impact payment in 2021. Patricia informs you that she is now receiving part of her salary in Bitcoin.

Required:

1. What information do you need regarding the advance payments of the child tax credit?
2. What information do you need regarding the EIP for 2021?
3. Discuss the relevant issues regarding the Bitcoin payments for Patricia.

B. Suggested Answers to Discussion Problems

1. You will need to ask them for Letter 6419. Each should have received a Letter 6419. You will need to have that to reconcile the advance payments with the allowable CTC. You will also need to inquire if they have ever been denied the credit to determine if they are currently eligible. You must also comply with due diligence requirements.
2. You should obtain the Letter 6475 from the client. This reports the information from the IRS as to the EIP amount received by the client for the tax year 2021.
3. The question on the 1040 regarding virtual currency must be answered yes. You need to report the Bitcoin received as compensation the same as any other compensation. Patricia should have it included in her W-2. If not, you should contact the employer to amend the W-2. In any event, it is subject to the same withholding and FICA rules as other compensation.

GLOSSARY OF KEY TERMS

Child and Dependent Care Credit—The child and dependent care credit for years 2005 and later is a tax credit of 20–35% of employment-related child and dependent care expenses for amounts of up to \$6,000 (for two or more children) available to individuals who are employed (with some exceptions), and the qualifying child or dependent must have lived with the taxpayer for more than half the year. For 2021 only, the total expenses that may be used to calculate the credit may not be more than \$8,000 (for one qualifying individual) or \$16,000 (for two or more qualifying individuals). The credit may be up to 50% of the qualified expenses and is refundable if the taxpayer lived in the United States for more than half the year. The credit is computed on Form 2441 for Form 1040 filers.

Child Tax Credit—Under pre-TCJA law, a nonrefundable credit of up to \$1,000 for each qualifying child that the taxpayer could claim as a dependent, subject to a phase-out for certain high-income taxpayers. The child must be under age 17 at the end of the tax year and must be a U.S. citizen or a resident alien. The credit is partially refundable. The TCJA modifies the child tax credit. For tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026, the child tax credit is increased to \$2,000 per qualifying child. The modified adjusted gross income levels at which the credit phases out are increased to \$400,000 for married taxpayers filing jointly (\$200,000 for all other taxpayers) (not indexed for inflation). The amount of the credit that is refundable is increased; the refundable portion, per qualifying child, is the lesser of \$1,400 (indexed for inflation) (up from \$1,000) or 15% of the taxpayer's earned income over \$2,500. In addition, a \$500 nonrefundable credit is provided for qualifying dependents who are not a qualifying child for the CTC beginning in 2018. For 2021, the credit is fully refundable for a taxpayer (either spouse for a joint return) with a principal place of abode in the U.S. for more than one-half of 2021, or for a taxpayer who is a bona fide resident of Puerto Rico for 2021. In addition, the credit is increased to \$3,000 per child (\$3,600 for a child under age 6 as of the close of 2021) for 2021. However, the increased amounts (i.e., the amounts over \$2,000) are phased out at modified AGI of over \$75,000 for singles, \$112,500 for heads of household, and \$150,000 for joint filers and surviving spouses at a rate of \$50 for each \$1,000 (or fraction thereof) of modified AGI over the applicable threshold. The credit is fully refundable for 2021. Additionally, advanced payments will be made from July through December equal to half of the eligible taxpayers' 2021 credit.

Equitable Tolling—A doctrine or principle of tort law; a statute of limitations will not bar a claim if despite use of due diligence, the plaintiff did not or could not discover the injury until after the expiration of the limitations period.

Infrastructure Investment and Jobs Act—Public Law No. 117-58, also known as the Bipartisan Infrastructure Framework, was signed into law by President Biden on November 15, 2021 and includes approximately \$1.2 trillion in spending to include funding for broadband access, clean water, electric grid renewal, and transportation and road provisions, along with tax-related provisions.

Setting Every Community Up for Retirement Enhancement (SECURE Act)—Part of the Further Consolidated Appropriations Act, 2020 (H.R. 1865, P.L. 116-94, the SECURE Act was enacted on December 20, 2019. It provides expanded opportunities for individuals for retirement savings and makes a number of administrative simplifications. It also includes a change to the kiddie tax.

CUMULATIVE INDEX 2022

BY TOPIC

| Topic | Month–Page | Topic | Month–Page |
|-------------------------------------|------------|-------------------------------------|------------|
| ABA Letter to IRS Commissioner..... | Jan-6 | Form 7203..... | Mar-45 |
| ABA Tax Meeting | Mar-4 | Form 8300..... | Mar-46 |
| Audit Lottery | Jan-34 | Form 8867..... | Mar-50 |
| Audits of Corporations..... | Jan-33 | Form 8962..... | Mar-15 |
| Capital Account | Feb-17 | Form UTP..... | Jan-38 |
| Change in Method of Accounting..... | Mar-4 | Inside Basis..... | Feb-17 |
| Circular 230 | Jan-34 | Outside Basis | Feb-17 |
| Due Diligence | Mar-23,44 | Refund Recoupments..... | Jan-4 |
| Eggshell Audits..... | Jan-36 | Required Minimum Distributions..... | Feb-7 |
| Equitable Tolling | Mar-4 | Schedule 8812..... | Mar-16 |
| Employment Tax Determination | Mar-3 | Schedule B..... | Mar-47 |
| Form 656..... | Jan-4 | Schedule D..... | Mar-47 |
| Form 990..... | Feb-5 | Schedule H..... | Mar-17 |
| Form 1024..... | Feb-6 | Subchapter K | Feb-17 |
| Form 1045..... | Feb-6 | Tax-basis Capital Account..... | Feb-18 |
| Form 2441..... | Mar-15 | Transactional Approach..... | Feb-19 |
| Form 5300..... | Feb-4 | Wyden Proposal..... | Feb-17 |

BY CITATION

| Citation | Month–Page | Citation | Month–Page |
|--|------------------|---|-----------------|
| Blommer v. Commissioner..... | Jan-7 | Notice 2021-64..... | Jan-5 |
| Chief Counsel Advice 202204007..... | Mar-7 | Notice 2022-1 | Feb-4, Mar-4, 9 |
| Chief Counsel Advice 202204008..... | Mar-6 | Notice 2022-8..... | Mar-4 |
| David F. and Tammy K. Hewitt v. Commissioner..... | Feb-8 | Private Letter Ruling 202147015 | Jan-6 |
| Hadsell v. U.S. | Jan-4 | Private Letter Ruling 202205022 | Mar-6 |
| IR-2021 | Feb-35 | Revenue Procedure 2021-53 | Jan-6 |
| IR-2021-255..... | Feb-3 | Revenue Procedures 2022-1 | Feb-4 |
| IR-2022-2..... | Feb-6, Mar-6, 10 | Revenue Procedure 2022-13 | Mar-3 |
| IRS Publication 5186..... | Jan-6 | Revenue Procedure 2022-14 | Mar-4 |
| Mark A. and Vanessa C. Kelly, Debtors..... | Feb-6, Mar-6, 10 | Revenue Ruling 2021-20..... | Jan-4 |
| | | Revenue Ruling 2022-2..... | Feb-3, Mar-3, 9 |
| | | Sand Investment Co., LLC v. Commissioner..... | Jan-7 |

| Citation | Month–Page | Citation | Month–Page |
|---|-------------------|----------------------------|-------------------|
| Sauter v. Commissioner..... | Jan-6 | Section 754 Election | Feb-17 |
| SBSE-05-1021-0063 | Jan-4 | Section 1250..... | Jan-22 |
| Section 42(b)(3)..... | Jan-4 | Section 4960..... | Feb-5 |
| Section 121 | Jan-17 | Section 5314..... | Jan-3 |
| Section 263 | Jan-20 | Section 6751B | Jan-7 |
| Section 301 | Jan-6 | Section 7701A26..... | Jan-6 |
| Section 403(b) Pre-Approved Plans | Mar-4 | U.S. v. Bittner..... | Jan-3 |
| Section 704(c)..... | Feb-17 | U.S. v. Page..... | Jan-7 |

BY SPEAKER

| Speaker | Month | Speaker | Month |
|---------------------------|--------------|------------------------|--------------|
| Davis, Karen | Mar | O'Sullivan, Brian..... | Feb |
| Lickwar, Robert C. | Jan, Mar | Redpath, Ian | Jan-Mar |
| Mathew, Shiny Rachel..... | Jan-Feb | | |

Choose the best response and record your answer in the space provided on the answer sheet.

1. According to Ian Redpath, what is the effective date of Revenue Procedure 2022-13 relative to employment tax determinations?
 - A. January 1, 2022
 - B. February 7, 2022
 - C. December 31, 2022
 - D. February 28, 2023

2. According to Ian Redpath, which of the following updates the automatic consent procedures for a change in method of accounting?
 - A. CCA 202204008
 - B. Notice 2022-8
 - C. Revenue Procedure 2022-13
 - D. Revenue Procedure 2022-14

3. According to Ian Redpath, which of the following denies the taxpayer's request to file an election to exclude income from a closed return?
 - A. CCA 202204007
 - B. CCA 202204008
 - C. Notice 2022-8
 - D. PLR 202205022

4. According to Ian Redpath, CCA 202204008 confirmed that the Internal Revenue Manual will be revised to indicate which of the following?
 - A. Written supervisory approval of penalties may be received by email.
 - B. Written supervisory approval of penalties may be received by telephone.
 - C. Written supervisory approval of penalties may be received by text.
 - D. Written supervisory approval of penalties must be notarized.

5. According to Ian Redpath, in which of the following was the Section 1202 exclusion denied because the taxpayer's business was deemed to provide brokerage services?
 - A. CCA 202204007
 - B. CCA 202204008
 - C. Notice 2022-8
 - D. PLR 202205022

Continued on next page

6. According to Ian Redpath and Karen Davis, which of the following is issued by the IRS advising taxpayers of 2021 Advance Child Tax Credit Payments?
 - A. CP2000
 - B. Form 1099
 - C. Letter 6419
 - D. Letter 6475
7. According to Ian Redpath and Karen Davis, which of the following forms is required for taxpayers claiming the premium tax credit for 2021?
 - A. Form 2441
 - B. Form 8915-F
 - C. Form 8962
 - D. Schedule 8812
8. According to Ian Redpath and Karen Davis, which of the following is issued by the IRS advising taxpayers of 2021 Economic Impact Payments?
 - A. CP2000
 - B. Form 1099
 - C. Letter 6419
 - D. Letter 6475
9. According to Ian Redpath and Karen Davis, which of the following forms is required for taxpayers claiming the child tax credit for 2021?
 - A. Form 2441
 - B. Form 8915-F
 - C. Form 8962
 - D. Schedule 8812
10. According to Ian Redpath and Karen Davis, what is the percentage range of child and dependent care expenses eligible for the child and dependent care credit in 2021?
 - A. 0%–100%
 - B. 0%–50%
 - C. 20%–50%
 - D. 0%–20%

Continued on next page

11. According to Ian Redpath and Bob Lickwar, when e-filing a 2021 tax return, what amount should be entered for 2020 AGI for a taxpayer whose 2020 Form 1040 has not yet been processed by the IRS?
 - A. \$0
 - B. \$1
 - C. Actual 2020 wages from 2020 Forms W-2
 - D. Actual 2020 AGI from 2020 Form 1040
12. According to Ian Redpath and Bob Lickwar, the maximum above-the-line charitable contribution is \$600 for which of the following?
 - A. Single
 - B. Head of Household
 - C. Married Filing Separately
 - D. Married Filing Jointly
13. According to Ian Redpath and Bob Lickwar, which of the following is **not** available for 2021?
 - A. American Opportunity Tax Credit
 - B. Lifetime Learning Credit
 - C. Student Loan Interest Deduction
 - D. Tuition and Fees Deduction
14. According to Ian Redpath and Bob Lickwar, for what length of time will a taxpayer be unable to claim the child tax credit if the credit was previously denied the taxpayer due to fraud?
 - A. 1 year
 - B. 2 years
 - C. 10 years
 - D. 20 years
15. According to Ian Redpath and Bob Lickwar, which of the following states that the \$10,000 nonwillful failure to file an FBAR penalty is per financial account rather than per FBAR?
 - A. Chief Counsel Advice 202204007
 - B. Private Letter Ruling 202205022
 - C. The *Bittner* case
 - D. The Ninth Circuit Court of Appeals

Subscriber Survey Evaluation Form

Please take a few minutes to complete this survey related to the **CPE Network® Tax Report** and return it by mail to 2395 Midway Road, Carrollton, Texas 75006, Attn: Managing Editor. All responses will be kept confidential. Comments in addition to the answers to these questions are also welcome. Please send comments to CPLgrading@thomsonreuters.com.

How would you rate the topics covered in the March 2022 **CPE Network® Tax Report**? Rate each topic on a scale of 1–5 (5=highest):

| | Topic Relevance | Topic Content/ Coverage | Topic Timeliness | Video Quality | Audio Quality | Written Material |
|---|----------------------|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| Experts' Forum | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| IRS Forms Update – 2021 Tax Year | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Important Filing Considerations – 2021 Tax Year | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

Which segments of the March 2022 issue of **CPE Network® Tax Report** did you like the most, and why?

Which segments of the March 2022 issue of **CPE Network® Tax Report** did you like the least, and why?

What would you like to see included or changed in future issues of **CPE Network® Tax Report**?

Are there any other ways in which we can improve **CPE Network® Tax Report**?

How would you rate the effectiveness of the speakers in the March 2022 **CPE Network® Tax Report**? Rate each speaker on a scale of 1–5 (5 highest):

| | Overall | Knowledge of Topic | Presentation Skills |
|----------------|----------------------|----------------------|----------------------|
| Ian Redpath | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Karen Davis | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Robert Lickwar | <input type="text"/> | <input type="text"/> | <input type="text"/> |

Which of the following would you use for viewing CPE Network® A&A Report? DVD ☐ Streaming ☐ Both ☐

Are you using **CPE Network® Tax Report** for: CPE Credit ☐ Information ☐ Both ☐ _____

Were the stated learning objectives met? Yes ☐ No ☐ _____

If applicable, were prerequisite requirements appropriate? Yes ☐ No ☐ _____

Were program materials accurate? Yes ☐ No ☐ _____

Were program materials relevant and contribute to the achievement of the learning objectives? Yes ☐ No ☐ _____

Were the time allocations for the program appropriate? Yes ☐ No ☐ _____

Were the supplemental reading materials satisfactory? Yes ☐ No ☐ _____

Were the discussion questions and answers satisfactory? Yes ☐ No ☐ _____

Were the audio and visual materials effective? Yes ☐ No ☐ _____

Specific Comments: _____

Name/Company _____

Address _____

City/State/Zip _____

Email _____

Once Again, Thank You...
Your Input Can Have a Direct Influence on Future Issues!

CPE Network®

Firm/Company Name: _____

Account #:

Location:

Program Title: _____

Date: _____

[illegible]

I certify that the above individuals viewed and were participants in the group discussion with this issue/segment of the CPE Network® newsletter, and earned the number of hours shown.

Instructor Name: _____

Date: _____

E-mail address:

License State and Number:

CHECKPOINT LEARNING NETWORK

CPE NETWORK®

USER GUIDE

REVISED SEPTEMBER 3, 2021

Welcome to CPE Network!

CPE Network programs enable you to deliver training programs to those in your firm in a manageable way. You can choose how you want to deliver the training in a way that suits your firm's needs: in the classroom, virtual, or self-study. You must review and understand the requirements of each of these delivery methods before conducting your training to ensure you meet (and document) all the requirements.

This User Guide has the following sections:

- **“Group Live” Format:** The instructor and all the participants are gathered into a common area, such as a conference room or training room at a location of your choice.
- **“Group Internet Based” Format:** Deliver your training over the internet via Zoom, Teams, Webex, or other application that allows the instructor to present materials that all the participants can view at the same time.
- **“Self-Study” Format:** Each participant can take the self-study version of the CPE Network program on their own computers at a time and place of their convenience. No instructor is required for self-study.
- **What Does It Mean to Be a CPE Sponsor?:** Should you decide to vary from any of the requirements in the 3 methods noted above (for example, provide less than 3 full CPE credits, alter subject areas, offer hybrid or variations to the methods described above), Checkpoint Learning Network will not be the sponsor and will not issue certificates. In this scenario, your firm will become the sponsor and must issue its own certificates of completion. This section outlines the sponsor's responsibilities that you must adhere to if you choose not to follow the requirements for the delivery methods.
- **Getting Help:** Refer to this section to get your questions answered.

IMPORTANT: This User Guide outlines in detail what is required for each of the 3 formats above. Additionally, because you will be delivering the training within your firm, you should review the Sponsor Responsibilities section as well. To get certificates of completion for your participants

following your training, you must submit all the required documentation. (This is noted at the end of each section.) Checkpoint Learning Network will review your training documentation for completeness and adherence to all requirements. If all your materials are received and complete, certificates of completion will be issued for the participants attending your training. Failure to submit the required completed documentation will result in delays and/or denial of certificates.

IMPORTANT: If you vary from the instructions noted above, your firm will become the sponsor of the training event and you will have to create your own certificates of completions for your participants. In this case, you do not need to submit any documentation back to Thomson Reuters.

If you have any questions on this documentation or requirements, refer to the “Getting Help” section at the end of this User Guide **BEFORE** you conduct your training.

**We are happy that you chose CPE Network for your training solutions.
Thank you for your business and HAPPY LEARNING!**

Copyrighted Materials

CPE Network program materials are copyrighted and may not be reproduced in another document or manuscript in any form without the permission of the publisher. As a subscriber of the **CPE Network Series**, you may reproduce the necessary number of participant manuals needed to conduct your group study session.

“Group Live” Format

CPE Credit

All CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

***Effective November 1, 2018:** Checkpoint Learning CPE Network products ‘group live’ sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by Checkpoint Learning Network. Checkpoint Learning Network will not issue certificates for “group live” deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the “group live” session with less than 3 CPE credits, your firm will be the sponsor as Checkpoint Learning Network will not issue certificates to your participants.

Advertising / Promotional Page

Create a promotion page (use the template after the executive summary of the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

Monitoring Attendance

You must monitor individual participant attendance at “group live” programs to assign the correct number of CPE credits. A participant’s self-certification of attendance alone is not sufficient.

Use the **attendance sheet**. This lists the instructor(s) name and credentials, as well as the first and last name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant arrives late, leaves early, or is a “no show,” the actual hours they

attended should be documented on the sign-in sheet and will be reflected on the participant's CPE certificate.

Real Time Instructor During Program Presentation

"Group live" programs must have a **qualified, real time instructor while the program is being presented**. Program participants must be able to interact with the instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

Elements of Engagement

A "group live" program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

Make-Up Sessions

Individuals who are unable to attend the group study session may use the program materials for self-study either in print or online.

- If the print materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Quizzer Answer Sheet. Send the answer sheet and course evaluation to the address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual Checkpoint Learning account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his/their CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

Awarding CPE Certificates

The CPE certificate is the participant's record of attendance and is awarded by Checkpoint Learning Network after the "group live" documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early.

Subscriber Survey Evaluation Forms

Use the evaluation form. You must include a means for evaluating quality. At the conclusion of the "group live" session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to Checkpoint Learning Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

Retention of Records

Regardless of whether Checkpoint Learning Network is the sponsor for the "group live" session, it is required that the firm hosting the "group live" session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Group Study Attendance sheets; indicating any late arrivals and/or early departures)
- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations.

Finding the Transcript

When the DVD is inserted into a DVD drive, the video will immediately begin to play and the menu screen will pop up, taking the entire screen. Hitting the Esc key should minimize it to a smaller window. To locate the pdf file of the transcript either to save or email to others, go to the start button on the computer. In My Computer, open the drive with the DVD. The Adobe Acrobat files are the transcript files. If you do not currently have Adobe Acrobat Reader (Mac versions of the reader are also available), a free version of the reader may be downloaded at:

- <https://get.adobe.com/reader/>

Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your “group live” session should be sent to Checkpoint Learning Network by one of the following means:

Mail: Thomson Reuters
PO Box 115008
Carrollton, TX 75011-5008

Email: CPLgrading@tr.com

Fax: 888.286.9070

When sending your package to Thomson Reuters, you must include ALL of the following items:

| Form Name | Included? | Notes |
|-----------------------------------|-----------|--|
| Advertising / Promotional Page | | Complete this form and circulate to your audience before the training event. |
| Attendance Sheet | | Use this form to track attendance during your training session. |
| Subscriber Survey Evaluation Form | | Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to Thomson Reuters any evaluations that were completed. You do not have to return an evaluation for every participant. |

Incomplete submissions will be returned to you.

“Group Internet Based” Format

CPE Credit

All CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

***Effective November 1, 2018:** Checkpoint Learning CPE Network products ‘group live’ sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by Checkpoint Learning Network. Checkpoint Learning Network will not issue certificates for “group live” deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the “group live” session with less than 3 CPE credits, your firm will be the sponsor as Checkpoint Learning Network will not issue certificates to your participants.

Advertising / Promotional Page

Create a promotion page (use the template following the executive summary in the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

Monitoring Attendance in a Webinar

You must monitor individual participant attendance at “group internet based” programs to assign the correct number of CPE credits. A participant’s self-certification of attendance alone is not sufficient.

Use the **Webinar Delivery Tracking Report**. This form lists the moderator(s) name and credentials, as well as the first and last name of each participant attending the seminar. During a webinar you must set up a monitoring mechanism (or polling mechanism) to periodically check the participants’ engagement throughout the delivery of the program.

In order for CPE credit to be granted, you must confirm the presence of each participant **3 times per CPE hour and the participant must reply to the polling question**. Participants that respond to less than 3 polling questions in a CPE hour will not be granted CPE credit. For example, if a participant only replies to 2 of the 3 polling questions in the first CPE hour, credit for the first CPE hour will not be granted. (Refer to the Webinar Delivery Tracking Report for examples.)

Examples of polling questions:

1. You are using **Zoom** for your webinar. The moderator pauses approximately every 15 minutes and ask that participants confirm their attendance by using the “raise hands” feature. Once the participants raise their hands, the moderator records the participants who have their hands up in the **webinar delivery tracking report** by putting a YES in the webinar delivery tracking report. After documenting in the spreadsheet, the instructor (or moderator) drops everyone’s hands and continues the training.
2. You are using **Teams** for your webinar. The moderator will pause approximately every 15 minutes and ask that participants confirm their attendance by typing “Present” into the Teams chat box. The moderator records the participants who have entered “Present” into the chat box into the **webinar delivery tracking report**. After documenting in the spreadsheet, the instructor (or moderator) continues the training.
3. If you are using an application that has a way to automatically send out polling questions to the participants, you can use that application/mechanism. However, following the event, you should create a **webinar delivery tracking report** from your app’s report.

Additional Notes on Monitoring Mechanisms:

1. The monitoring mechanism does not have to be “content specific.” Rather, the intention is to ensure that the remote participants are present and paying attention to the training.
2. You should only give a minute or so for each participant to reply to the prompt. If, after a minute, a participant does not reply to the prompt, you should put a NO in the webinar delivery tracking report.
3. While this process may seem unwieldy at first, it is a required element that sponsors must adhere to. And after some practice, it should not cause any significant disruption to the training session.
4. **You must include the Webinar Delivery Tracking report with your course submission if you are requesting certificates of completion for a “group internet based” delivery format.**

Real Time Moderator During Program Presentation

“Group internet based” programs must have a **qualified, real time moderator while the program is being presented**. Program participants must be able to interact with the moderator while the course is in progress (including the opportunity to ask questions and receive answers

during the presentation). This can be achieved via the webinar chat box, and/or by unmuting participants and allowing them to speak directly to the moderator.

Make-Up Sessions

Individuals who are unable to attend the “group internet based” session may use the program materials for self-study either in print or online.

- If print materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Quizzer Answer Sheet. Send the answer sheet and course evaluation to the address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual Checkpoint Learning account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

Awarding CPE Certificates

The CPE certificate is the participant’s record of attendance and is awarded by Checkpoint Learning Network after the “group internet based” documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who may not have answered the required amount of polling questions.

Subscriber Survey Evaluation Forms

Use the evaluation form. You must include a means for evaluating quality. At the conclusion of the “group live” session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to Checkpoint Learning Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

Retention of Records

Regardless of whether Checkpoint Learning Network is the sponsor for the “group internet based” session, it is required that the firm hosting the session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Webinar Delivery Tracking Report)
- Copy of the program materials
- Timed agenda with topics covered
- Date and location (which would be “virtual”) of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations

Finding the Transcript

When the DVD is inserted into a DVD drive, the video will immediately begin to play and the menu screen will pop up, taking the entire screen. Hitting the Esc key should minimize it to a smaller window. To locate the pdf file of the transcript either to save or email to others, go to the start button on the computer. In My Computer, open the drive with the DVD. It should look something like the screenshot below. The Adobe Acrobat files are the transcript files. If you do not currently have Adobe Acrobat Reader (Mac versions of the reader are also available), a free version of the reader may be downloaded at:

- <https://get.adobe.com/reader/>

Alternatively, for those without a DVD drive, the email sent to administrators each month has a link to the pdf for the newsletter. The email may be forwarded to participants who may download the materials or print them as needed.

Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your “group internet based” session should be sent to Checkpoint Learning Network by one of the following means:

Mail: Thomson Reuters
PO Box 115008
Carrollton, TX 75011-5008
Email: CPLgrading@tr.com
Fax: 888.286.9070

When sending your package to Thomson Reuters, you must include ALL the following items:

| Form Name | Included? | Notes |
|-------------------------------------|------------------|--|
| Advertising / Promotional Page | | Complete this form and circulate to your audience before the training event. |
| Webinar Delivery Tracking Report | | Use this form to track the attendance (i.e., polling questions) during your training webinar. |
| Evaluation Form | | Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to Thomson Reuters any evaluations that were completed. You do not have to return an evaluation for every participant. |

Incomplete submissions will be returned to you.

“Self-Study” Format

If you are unable to attend the live group study session, we offer two options for you to complete your Network Report program.

Self-Study—Print

Follow these simple steps to use the printed transcript and DVD:

- Watch the DVD.
- Review the supplemental materials.
- Read the discussion problems and the suggested answers.
- Complete the quizzer by filling out the bubble sheet enclosed with the transcript package.
- Complete the survey. We welcome your feedback and suggestions for topics of interest to you.
- Mail your completed quizzer and survey to:

Thomson Reuters
PO Box 115008
Carrollton, TX 75011-5008

Self-Study—Online

Follow these simple steps to use the online program:

- Go to www.checkpointlearning.thomsonreuters.com.
- Log in using your username and password assigned by your firm’s administrator in the upper right-hand margin (“Sign In or Register”).



the answer company

THOMSON REUTERS

CHECKPOINT LEARNING

Contact Us



Sign In or Register

Home

Search Courses

Products & Services

Support



Search courses

Need to get up to speed on
new revenue standards?

We can help.

Virtual Conference: Nov. 13 – 14

Register Now

Move forward

Checkpoint Learning provides training and tools to keep you and your team up to date and looking forward in an industry full of change and opportunity.



Webinars

Fit learning into your schedule with instructor-led webinars ranging from one to eight hours.

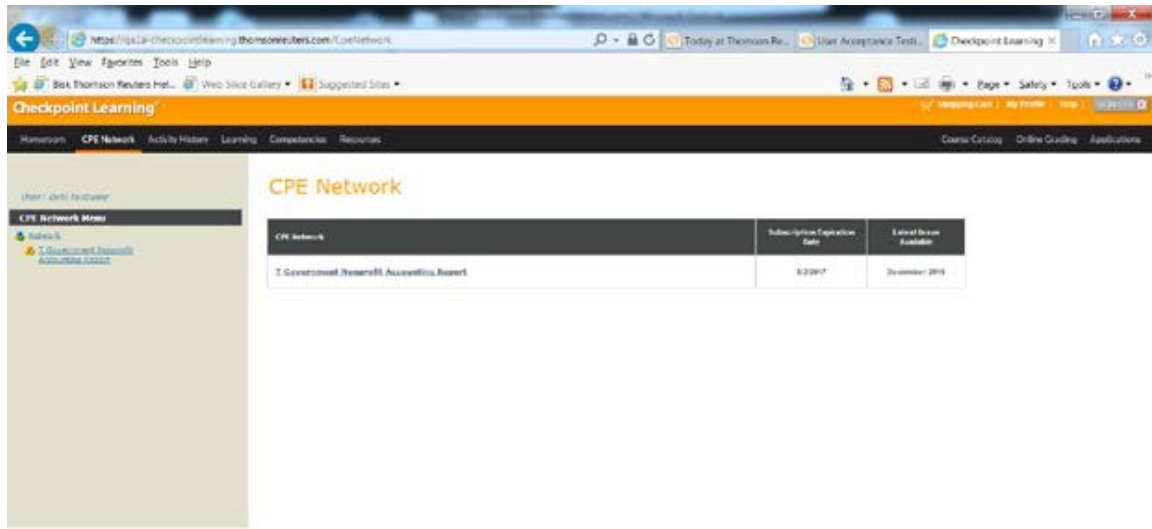


Seminars and conferences

In-person networking, dynamic instructors, nationwide locations plus vacation destinations.

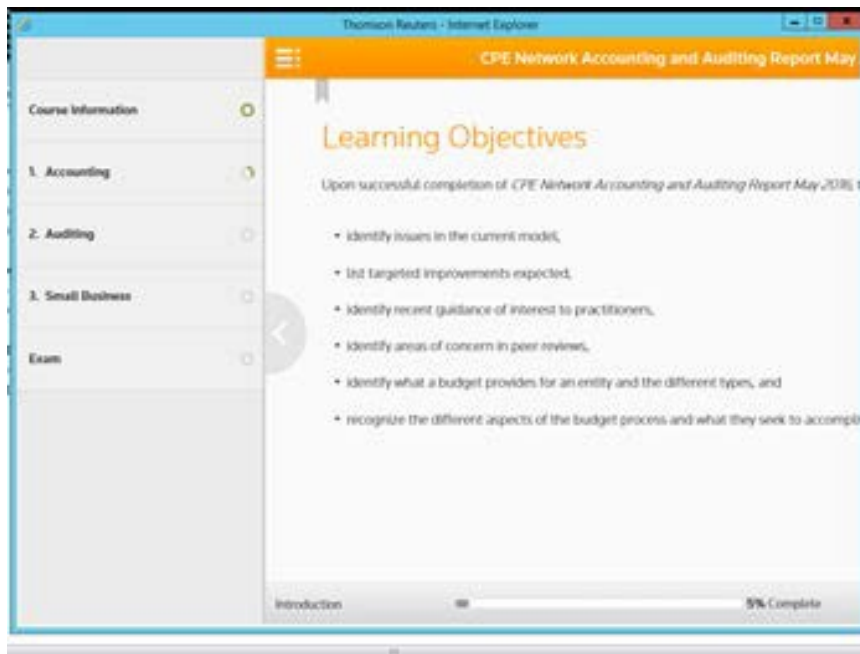


- In the **Network** tab, select the Network Report for the month desired.



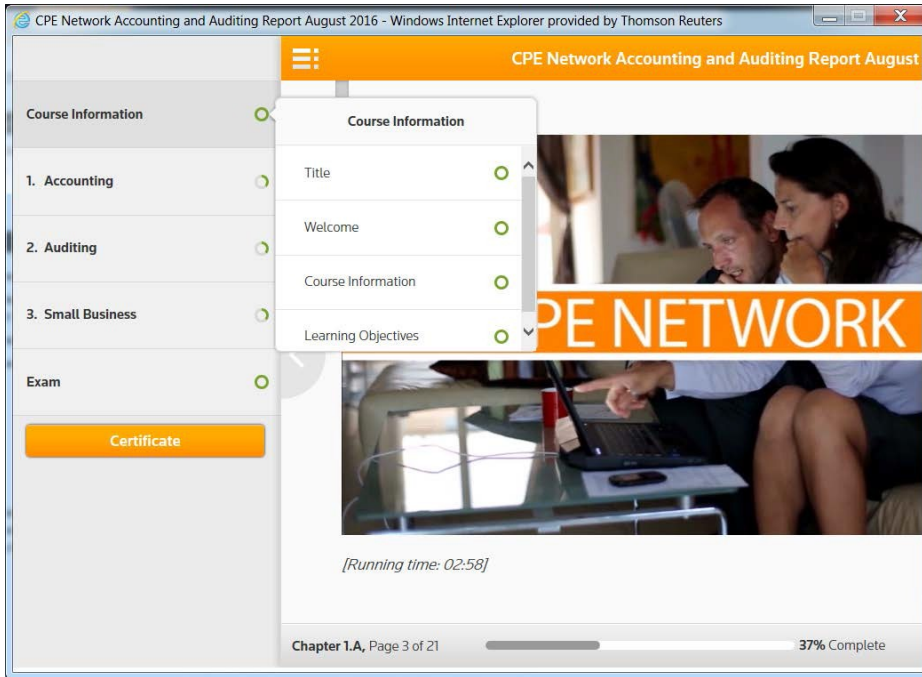
<https://go1a-checkpointlearning.thomsonreuters.com/CpeNetwork/CpeNetworkDetails/Page?SubscriptionId=177994>

The Chapter Menu is in the gray bar at the left of your screen:

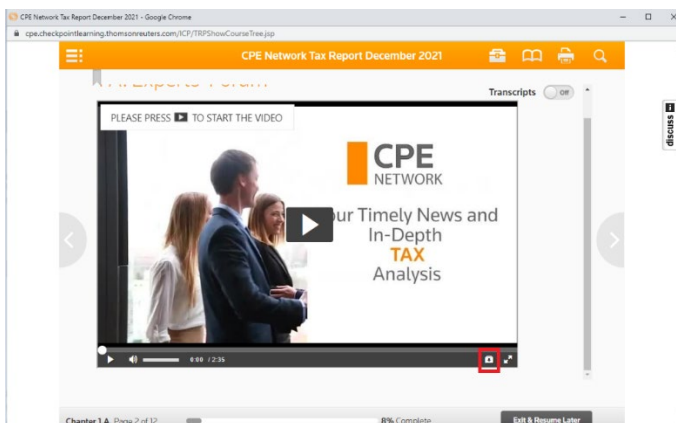


Click down to access the dropdown menu and move between the program Chapters.

- **Course Information** is the course Overview, including information about the authors and the program learning objectives



- **Each Chapter is now self-contained.** Years ago, when on the CPEasy site, the interview segments were all together, then all the supplemental materials, etc. Today, each chapter contains the executive summary and learning objectives for that segment, followed by the interview, the related supplemental materials, and then the discussion questions. This more streamlined approach allows administrators and users to more easily access the related materials.



Video segments may be downloaded from the CPL player by clicking on the download button.

Thomson Reuters - Internet Explorer

CPE Network Accounting and Auditing Report May 2016

Transcripts ☒

Chapter 1 Liabilities and Equity: Another Look at the Model

Both the FASB and the AICPA have targeted improvements to the guidance related to liabilities and equity instruments. The current debt-equity model in U.S. GAAP is very complex, making it difficult for both preparers and accountants to implement.

For more on the targeted improvements in this area, let's join Paul Munter, professor in practice for the University of Colorado at Boulder, and CPE Network's Debi Grove Casey.

Ms. Grove Casey

Today, we want to talk a little bit

Please note that the transcript [Liabilities and Equity Transcripts](#) can also be found as a link and in the Tools section.

Chapter 1A, Page 4 of 21 8% Complete [Exit & Resume Later](#)

Transcripts for the interview segments can be viewed at the right side of the screen via a toggle button at the top labeled **Transcripts** or via the link to the pdf below the video (also available in the toolbox in the resources section). The pdf will appear in a separate pop-up window.

D:\xml\production\working\U6015494\N... Network Accounting and Auditing Report May 2016

Transcripts ☒

Chapter 1 Liabilities and Equity: Another Look at the Model

Both the FASB and the AICPA have targeted improvements to the guidance related to liabilities and equity instruments. The current debt-equity model in U.S. GAAP is very complex, making it difficult for both preparers and accountants to implement.

For more on the targeted improvements in this area, let's join Paul Munter, professor in practice for the University of Colorado at Boulder, and CPE Network's Debi Grove Casey.

Ms. Grove Casey

Today, we want to talk a little bit

Please note that the transcript [Liabilities and Equity Transcripts](#) can also be found as a link and in the Tools section.

Chapter 1A, Page 4 of 21 8% Complete [Exit & Resume Later](#)

CHAPTER 1: ACCOUNTING

Liabilities and Equity: Another Look at the Model

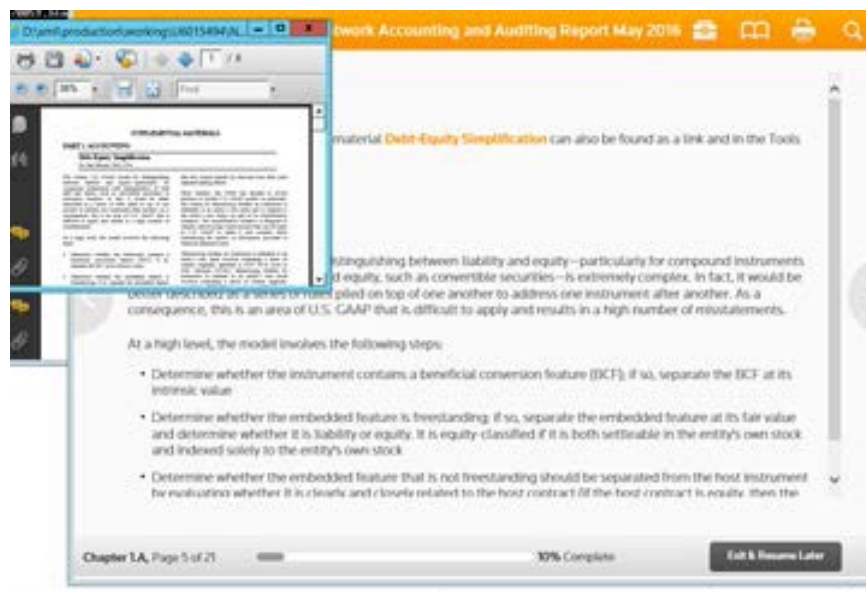
Both the FASB and the AICPA have targeted improvements to the guidance related to liabilities and equity instruments. The current debt-equity model in U.S. GAAP is very complex, making it difficult for both preparers and accountants to implement.

For more on the targeted improvements in this area, let's join Paul Munter, professor in practice for the University of Colorado at Boulder, and CPE Network's Debi Grove Casey.

Ms. Grove Casey

Today, we want to talk a little bit

Click the arrow at the bottom of the video to play it, or click the arrow to the right side of the screen to advance to the supplemental material. As with the transcripts, the supplemental materials are also available via the toolbox and the link will pop up the pdf version in a separate window.



Continuing to click the arrow to the right side of the screen will bring the user to the Discussion problems related to the segment.

The Suggested Answers to the Discussion Problems follow the Discussion Problems.

The screenshot shows a web interface for the 'CPE Network Accounting and Auditing Report July 2016'. The main content area is titled 'Suggested Answers to Discussion Problems'. It contains three numbered items:

1. ASC 320 requires that, at acquisition, an enterprise classify debt and marketable equity securities into one of three categories:
 - Held-to-maturity
 - Trading
 - Available-for-sale

An entity decides how to classify securities based on its intended holding period for each individual security, using the framework in ASC 320. In establishing its intent, an entity should consider relevant trends and experience, such as previous sales and transfers of securities. Classification decisions should be made at acquisition and, preferably, formally documented. It is not appropriate to use "hindsight" to classify securities transactions, perhaps by considering changes in value after acquisition.
2. The trading securities category includes securities that are bought and held principally for the purpose of selling them in the short term. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. "Short-term," in this context, is intended to be measured in hours and days, rather than in months or years, according to ASC 320. However, an entity is not precluded from classifying as trading a security it plans to hold for a longer period, as long as that designation occurs at acquisition.
3. Impairment is recognized in earnings when a decline in value has occurred that is deemed to be other than temporary, and the current fair value becomes the new cost basis for the security. An investment is considered to be impaired if the fair value of the investment is less than its cost basis. Cost includes adjustments made for

At the bottom of the page, it says 'Chapter 3.A, Page 20 of 20', '100% Complete', and an 'Exit & Resume Later' button.

The **Exam** is accessed by clicking the last gray bar on the menu at the left of the screen or clicking through to it. Click the orange button to begin.

When you have completed the quizzer, click the button labeled **Grade** or the **Review** button.

The screenshot shows a web interface for the 'CPE Network Accounting and Auditing Report June 2016'. The main content area is titled 'Course Exams Completed'. It contains the following text:

You have completed the exam for this course.

Please choose your next course of action by selecting on one of the buttons below.

"Review My Answers" will take you back through exam, giving you the opportunity to make changes.

Review My Answers

"Grade My Answers" will result in providing you with a final score for this course.

Grade My Answers

At the bottom of the page, it says 'Course, Completed', '100% Complete', and an 'Exit & Resume Later' button.

- Click the button labeled **Certificate** to print your CPE certificate.
- The final quizzer grade is displayed and you may view the graded answers by clicking the button labeled **view graded answer**.

Additional Features Search

Checkpoint Learning offers powerful search options. Click the **magnifying glass** at the upper right of the screen to begin your search. Enter your choice in the **Search For:** box.

Search Results are displayed with the number of hits.

Print

To display the print menu, click the printer icon in the upper bar of your screen. You can print the entire course, the transcript, the glossary, all resources, or selected portions of the course. Click your choice and click the orange **Print**.

What Does It Mean to Be a CPE Sponsor?

If your organization chooses to vary from the instructions outlined in this User Guide, your firm will become the CPE Sponsor for this monthly series. The sponsor rules and requirements noted below are only highlights and reflect those of NASBA, the national body that sets guidance for development, presentation, and documentation for CPE programs. **For any specific questions about state sponsor requirements, please contact your state board. They are the final authority regarding CPE Sponsor requirements.** Generally, the following responsibilities are required of the sponsor:

- Arrange for a location for the presentation
- Advertise the course to your anticipated participants and disclose significant features of the program in advance
- Set the start time
- Establish participant sign-in procedures
- Coordinate audio-visual requirements with the facilitator
- Arrange appropriate breaks
- Have a real-time instructor during program presentation
- Ensure that the instructor delivers and documents elements of engagement
- Monitor participant attendance (make notations of late arrivals, early departures, and “no shows”)
- Solicit course evaluations from participants
- Award CPE credit and issue certificates of completion
- Retain records for five years

The following information includes instructions and generic forms to assist you in fulfilling your responsibilities as program sponsor.

CPE Sponsor Requirements

Determining CPE Credit Increments

Sponsored seminars are measured by program length, with one 50-minute period equal to one CPE credit. One-half CPE credit increments (equal to 25 minutes) are permitted after the first credit has been earned. Sponsors must monitor the program length and the participants' attendance in order to award the appropriate number of CPE credits.

Program Presentation

CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. CPE program sponsors must make the following

information available in advance:

- Learning objectives.
- Instructional delivery methods.
- Recommended CPE credit and recommended field of study.
- Prerequisites.
- Program level.
- Advance preparation.
- Program description.
- Course registration and, where applicable, attendance requirements.
- Refund policy for courses sold for a fee/cancellation policy.
- Complaint resolution policy.
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits).

Disclose Significant Features of Program in Advance

For potential participants to effectively plan their CPE, the program sponsor must disclose the significant features of the program in advance (e.g., through the use of brochures, website, electronic notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with non-educational activities, or when several CPE programs are offered concurrently, participants must receive an appropriate schedule of events indicating those components that are recommended for CPE credit. The CPE program sponsor's registration and attendance policies and procedures must be formalized, published, and made available to participants and include refund/cancellation policies as well as complaint resolution policies.

Monitor Attendance

While it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient. The sign-in sheet should list the names of each instructor and her/his credentials, as well as the name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant leaves early, the hours they attended should be documented on the sign-in sheet and on the participant's CPE certificate.

Real Time Instructor During Program Presentation

"Group live" programs must have a qualified, real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

Elements of Engagement

A “group live” program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

Awarding CPE Certificates

The CPE certificate is the participant’s record of attendance and is awarded at the conclusion of the seminar. It should reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early. Attached is a sample *Certificate of Attendance* you may use for your convenience.

CFP credit is available if the firm registers with the CFP board as a sponsor and meets the CFP board requirements. IRS credit is available only if the firm registers with the IRS as a sponsor and satisfies their requirements.

Seminar Quality Evaluations for Firm Sponsor

NASBA requires the seminar to include a means for evaluating quality. At the seminar conclusion, evaluations should be solicited from participants and retained by the sponsor for five years. The following statements are required on the evaluation and are used to determine whether:

1. Stated learning objectives were met.
2. Prerequisite requirements were appropriate.
3. Program materials were accurate.
4. Program materials were relevant and contributed to the achievement of the learning objectives.
5. Time allotted to the learning activity was appropriate.
6. Individual instructors were effective.
7. Facilities and/or technological equipment were appropriate.
8. Handout or advance preparation materials were satisfactory.
9. Audio and video materials were effective.

You may use the enclosed preprinted evaluation forms for your convenience.

Retention of Records

The seminar sponsor is required to retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (the original sign-in sheets, now in an editable, electronic

signable format)

- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name(s) and credentials
- Results of program evaluations

Appendix: Forms

Here are the forms noted above and how to get access to them.

| Delivery Method | Form Name | Location | Notes |
|--|-----------------------------------|------------|--|
| "Group Live" / "Group Internet Based" | Advertising / Promotional Page | Transcript | Complete this form and circulate to your audience before the training event. |
| "Group Live" | Attendance Sheet | Transcript | Use this form to track attendance during your training session. |
| "Group Internet Based" | Webinar Delivery Tracking Report | Transcript | Use this form to track the 'polling questions' which are required to monitor attendance during your webinar. |
| "Group Live" / "Group Internet Based" | Evaluation Form | Transcript | Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. |
| Self Study | CPE Quizzer Answer Sheet | Transcript | Use this form to record your answers to the quiz. |

Getting Help

Should you need support or assistance with your account, please see below:

| Support Group | Phone Number | Email Address | Typical Issues/Questions |
|-------------------|---|---|---|
| Technical Support | 800.431.9025 (follow option prompts) | checkpointlearning.techsupport@thomsonreuters.com | <ul style="list-style-type: none">• Browser-based• Certificate discrepancies• Accessing courses• Migration questions• Feed issues |
| Product Support | 800.431.9025 (follow option prompts) | checkpointlearning.productsupport@thomsonreuters.com | <ul style="list-style-type: none">• Functionality (how to use, where to find)• Content questions• Login Assistance |
| Customer Support | 800.431.9025 (follow option prompts) | checkpointlearning.cpecustomerservicet@thomsonreuters.com | <ul style="list-style-type: none">• Billing• Existing orders• Cancellations• Webinars• Certificates |