

First Thursday Minutes

December 3, 2020

Attendees:

Tax Professionals

Alexander Flater, Scribner Cohen in Milwaukee WI
Angie Andersen
Barbara Brown
Barbara Steponkus, NATP Wisconsin
Barry Ikeda, Salt Lake City, Utah
Bob Wunderle, La Posada Tax Clinic in Twin Falls Idaho. LITC, VITA, & CAA.
Brad Decker, Illinois
Brian Daly
Carmen Van Der Leest, Wisconsin Judicare Inc.
Carrie Bareis, Liberty Tax in IL, IA, & MO
Carrie Christensen, Ketel Thorstenson, LLP in Rapid City, SD
Carrie Houchins-Witt, Iowa Chapter of NAEA
Catherine Murphy, Missouri Society of Accountants
Charlene Rhinehart
Charlotte Miller
Clara Bogen
Clarice Landreth, Omni Financial
Clarice Westall, H&R Block Advisors, Minnesota
Darrel Beadle, Institute of Management Accountants, IL & MO
Debbie Jessee, Martin Tax and Financial Services, Independence, MO
Debra Stapek, Minnesota Association of Public Accountants (MAPA), also NSA
Deneise McCollum
Dennis R Lhotak
Don Keast, Accountants Association of Iowa
Donna Tuke, IL Society of Enrolled Agents
Elliott Gidan, Colorado
Gail Bates, Lewis, Kisch & Associates, Ltd., MN
Hattie Fitzgerald, NAEA/ILSEA, Chicago
Heather S Johnson, IAAI - Independent Accountants Association of Illinois
Jacen Gondringer, Minnesota Association of Public Accountants (MAPA)
Jared M Lefevre, Montana State Bar, Taxation Committee
Jay Levine, IL
Jill Wensch, Marshfield, WI office of Hawkins Ash CPAs LLP
JoAnn Schoen, Accounting & Tax Associates in MN, also NATP MN
Jodee Paape, Twin Cities Tax Professional Discussion Group
Kathy Reiniger, H&R Block in Fargo, ND
Kelly Golish, CPA from the Univ. of Illinois
Kelly Jaskowiak, NSA & NDSA. Harvey, ND
Kristina Mather, Iowa NATP
Kurt Stadlbauer, Tax Executives Institute & J.R. Simplot Company. Idaho
Larry Gillette, Illinois Society of Enrolled Agents
Lief Mattila, MN State Bar Association Tax Section
Luis Plascencia, IL CPA Society
Marian McGrane
Marshall Heap EA, Illinois
Martha Lewis, Taxpayer Advocacy Panel (TAP) member representing Colorado
Melody Larson

Nancy Jacobson
Peter Overson, WSRP in Salt Lake City, UT
Pollyanna Pe
Portia Vogt, NATP Minnesota
Renee Mayden, RM Services, Illinois
Richard Allen, Independent Accountants Association of Illinois
Ronald Berman, WI CPA
Ruth Ann Michnay, Twin Cities Tax Professional Discussion Group, MN
Ruth Graff, ND CPA Society
Shelly Larson
Sherre Sattler, North Dakota CPA Society
Sheryl Gorman
Shirley Callahan, EA, Las Vegas
Steff Haring, H&R Block in Montana
Tammy Sorensen, Casper WY - Self Employed
Teresa Moore, WY Assoc of Public Accountants from Torrington, WY
Terri Lillesand, WICPA - Wisconsin Society of CPAs
Terry Johnson, Liberty Tax Minnesota
Todd Koch, Twin Cities Tax Professional Discussion Group, and MN CPA
Todd Wadsworth
Tracy Danzer, NATP Illinois
Velma Bjorgum, North Dakota Society of Accountants

Departments of Revenue

KS Carl York
MN Mark Krause, Allyson Casseday
MO Kim Gorman
NE Fran Krejci
WI Nate Weber

Internal Revenue Service

Alan Gregerson, SL in Minnesota, Alan.J.Gregerson@irs.gov
Cathye Mason, SL in Oregon, Cathye.S.Mason@irs.gov
Debbie Rodgers, SL in Colorado, Deborah.Rodgers@irs.gov
John Blakeman, SL in Washington, John.W.Blakeman@irs.gov
Karen Brehmer, SL in Minnesota, Karen.A.Brehmer@irs.gov
Kathleen Fox, SL in Kansas, Kathleen.M.Fox@irs.gov
Kristen Hoiby, Area 6 Manager in Seattle WA

IRS – Taxpayer Advocate

Christy Jones, Lead Case Advocate, WY
Dawn Baltadonis, Local Taxpayer Advocate, Boise ID
Eric Jaeger, TAS, Colorado
Jennilyn Gailey, Local Taxpayer Advocate, Salt Lake City UT
Jeri Hunter, Local Taxpayer Advocate, Cheyenne WY
Joe Garcia Jr, Local Taxpayer Advocate, Denver CO
Paul Harper, Local Taxpayer Advocate, Montana
Sherri Holcomb, Taxpayer Advocate Service, Ogden, UT

Welcome

Karen Brehmer welcomed everyone to the call. She asked everyone to enter in chat the name of the tax professional group you belong to, or the tax firm you work for, or both. Also, the state where you work. We have tax pros from 12 states on this call: MN, ND, SD, IA, WI, IL, MO, OK, KS, NE, MT, and WY. If the information listed above for you is incorrect, let your local SL know.

Webinars

Please check [Webinars for Tax Practitioners](#) for updates

Discussion items

[A Closer Look: Electronic Signature Options Will Simplify Third-Party Authorizations](#)

Coming in January 2021:

- Submit Forms 2848 and 8821 Online
- Requires Secure Access
- Digital signatures allowed

Coming in summer 2021:

- Tax Pro Account

Share materials from the [Get Ready](#) Campaign with your clients.

[Steps to Take Now to Get a Jump on Your Taxes](#)

[Get Ready for Taxes: Get ready now to file 2020 federal income tax returns](#)
(IR-2020-256, November 17)

[Get Ready for Taxes: Steps to take now to make tax filing easier in 2021](#)
IR-2020-263, November 24, 2020

[Get ready to file taxes: What to do before the tax year ends](#)
(COVID Tax Tip 2020-162, November 30)

[Get Ready for Taxes: What's new and what to consider when filing in 2021](#)
IR-2020-272, December 8, 2020

Cathy Mason shared the following: Stages of Owning a Business

The stages of owning a business are not new to our page on the [SBSE Tax Center](#). This year, though, we are highlighting the topic of closing a business. There are three new publications available, each one page. These can be handy reference guides for clients.

[Publication 5447, How to Close a Sole Proprietorship \(also in Spanish\)](#)
[Publication 5447-A, How to Close a Partnership \(also in Spanish\)](#)
[Publication 5447-B, How to Close a Corporation \(also in Spanish\)](#)

We want to emphasize two very important points:

- First, be sure all of the employment tax returns and related information returns are completed (so the 941/943 or 944 as well as the 940 for the FUTA and all 1099's and W-2/W-3 filings) and the employment taxes paid or payment agreements established to avoid trust fund recovery penalties.
- Second, for your corporations or partnerships, be sure the balance sheet is zeroed out and the final return box is checked on the entity return and also on the K-1 forms if applicable. This may result in a need for Form 4797 and/or a Schedule D at the entity or possibly the shareholder/partner level. Our review systems look at the Schedule L when that final return box is checked.

Finally, be sure the proper state and perhaps local authorities are notified.

Stages of Owning a Business on the SBSE Tax Center

- [Starting a Business](#)
- [Operating a Business](#)
- [Closing a Business](#)
- [Changing Address](#)
- [Changing Business Name](#)

Filing Season 2021

Stakeholder Liaisons have been hearing from a number of practitioners who ask whether there has been any talk about an extension of the upcoming filing season. Practitioners on the call were asked for their thoughts on the subject and the response from participants was mixed.

This official statement was released after the call:

“IRS teams continue working hard to prepare for the upcoming 2021 filing season, and we remain on track for a regular tax season – just like every year at this time. The IRS emphasizes there is no internal discussion about extending the April 15 deadline, and the normal deadlines remain in place. Taxpayers and tax professionals should assume that deadline will remain, just as in regular years.”

This news release came out after the call: [IRS to employers: Remember February 1, 2021 deadline for Form W-2, other wage statements](#)

(As a side note, if you intend to include information from the First Thursday call in a blog that you participate in, please run that past us first.)

State Departments of Revenue

Minnesota - Mark Krause. MN homepage: <https://www.revenue.state.mn.us>

- In recognition of [National Tax Security Awareness Week](#), we are sending out an email each day this week with tips and reminders on how to keep your systems and your client data safe. You can [Subscribe](#) to our Tax Scam and Fraud Alerts email list.
- We have posted some new FAQs about section 179 conformity and conformity to section 1031, like-kind exchanges. These FAQs can be found on the [Tax Law Changes](#) page on our website, then click on [Law Change FAQs for 2020](#) and then Federal Conformity. Send conformity related questions to taxlawchanges@state.mn.us.

Iowa – Kurt Konek. IA homepage: <https://tax.iowa.gov/>

- Kurt was not available but Iowa tax pro Carrie Bareis shared the following: Reminder to Iowa Tax Preparers who are not EA/CPA, this is the first year IA is requiring 15 CE's by 12/31/2020. See the Iowa Dept of Rev site for more information.

Wisconsin – Nate Weber. WI homepage <https://www.revenue.wi.gov>

- Training available: <https://www.revenue.wi.gov/Pages/Training/Home.aspx>

Kansas - Carl York. KS homepage <https://www.ksrevenue.org/>

- Kansas published updated withholding FAQ's, including updates to some of the withholding forms [Kansas Department of Revenue - Frequently Asked Questions About Withholding \(ksrevenue.org\)](https://www.ksrevenue.org/Kansas-Department-of-Revenue-Frequently-Asked-Questions-About-Withholding)

Nebraska – Fran Krejci. NE homepage <https://revenue.nebraska.gov/>

- Nebraska draft forms - <https://revenue.nebraska.gov/tax-professionals/draft-nebraska-income-tax-forms>

North Dakota – Liliya Montgomery. ND homepage <https://www.nd.gov/tax/>

- For tax pros: <https://www.nd.gov/tax/user/tax-professionals>

Missouri – Kim Gorman. MO homepage <https://dor.mo.gov/>

Illinois – Vicki Clark. IL homepage <https://www.illinois.gov>

Your issues and questions

EIP / Recovery Rebate Credit

Darrel Beadle asked: What options does a taxpayer have if on November 21 they used the IRS Non-Filer tool and the next day they received a rejection on the file submitted? Can they wait and submit a 2020 tax return and claim credit?

Answer: Yes, they can claim the Recovery Rebate Credit on their 2020 return.

CARES Act, retirement plans

Brad Decker asked: CARES legislation includes a penalty waiver for \$100K in retirement plan distributions and the ability to spread the tax over three years. Are the other exceptions to early distributions still available for the remainder if the taxpayer needs to take out more than \$100K?

Answer: The CARES Act added a new, temporary exception to the early distribution penalty which is very narrowly construed to COVID illness and business disruptions. The previously existing exceptions to early distribution penalties for IRA's and/or other qualified retirement plans were not affected and are still available under existing law.

See:

- [New law provides relief for eligible taxpayers who need funds from IRAs and other retirement plans.](#) IR-2020-172, July 29, 2020
- [Relief for taxpayers affected by COVID-19 who take distributions or loans from retirement plans.](#) IR-2020-124, June 19, 2020

E-file:

Richard Allen asked: The IRS is doing its year-end temporary halt to e-filing. For 1040 and 1040-X returns now, should we mail them to the IRS or wait until January to e-file? Does it make any difference?

Answer: If a return shows a refund, it may be better to wait until you can e-file it in January. For a return with a balance due, pay the balance due now using [Direct Pay](#). You may mail the return now or e-file it in January.

Note: see this page for the shutdown/cutover schedule for business returns: [Modernized e-File \(MeF\) Operational Status](#)

PPP loans

Brad Decker asked: The last information I have on PPP loan forgiveness is that the underlying expenses are not deductible in the current year if there is a reasonable expectation the loan will be forgiven next year. Is this still the most recent guidance?

Answer: this guidance was released on November 18:

- Treasury press release: [Treasury and IRS Issue Guidance Clarifying the Deductibility of Expenses Where a Business Received a PPP Loan](#)
- See also [Rev. Rul. 2020-27](#). Revenue Ruling 2020-27 amplifies [Notice 2020-32](#).
- And [Rev. Proc. 2020-51](#).

Ruth Ann Michnay commented that an IRS webinar on PPP loans would be much appreciated.

CP 504, collection issues, liens

Ronald Berman asked: A client received a [CP 504, Notice of Intent to Levy](#). This is surprising since client said that they never received any prior notices. Will a levy be issued?

Answer: See [IRS Operations During COVID-19: Mission-critical functions continue. \(Page format updated on December 8.\)](#)

At the bottom of the page, click on Compliance. Review this memo:

- [SBSE All-Collection Guidance Memo PDF](#)

While we wait for incoming mail and outgoing notice backlogs to be cleared, automated programs will remain idle. Specifically:

- Automated Levy Program levies (Federal Payment Levy Program, State Income Tax Levy Program, Municipal Income Tax Levy Program, and the Alaska Permanent Fund Dividend Levy Program) will not be issued;
- ACS systemic levies will not be issued.
- New certifications to the Department of State (impacting the ability to receive a new or renewed passport) will remain suspended.

These programs will be restarted on a program by program basis when Collection management determines this to be appropriate.

Also, due to incoming/outgoing mail and notice processing backlogs and limited capacity, Field Collection will continue to initiate notices of federal tax lien only in exigent

circumstances with Territory Manager approval, with the initiating RO being responsible for the preparation and mailing of the L3172. ACS will not initiate notices of federal tax lien in any circumstance and will continue forgoing notice of federal tax lien determinations in installment agreement and CNC case closures.

Kathleen Fox added: It was not possible for IRS to make all the programming changes necessary to send out specific notices for all of the various situations that COVID has caused. The standard language is the same as before COVID, but most notices are supposed to have an insert that provides additional information related to COVID operations.

Tracy Danzer asked: We are having trouble setting up an installment plan for a C Corp with balance due under \$25,000. POA is on file. The [Online Payment Agreement](#) doesn't recognize our POA. The online payment plan 800 number says it is not accepting calls due to high volume. Any ideas how to get this setup?

Answer: How long ago was Form 2848 faxed to the CAF unit? It's taking approximately 25 business days to process Form 2848. It might be best to wait until the 2848 is on file, then use the Online Payment Agreement.

In the meantime, the taxpayer could make payments on the past due debt using EFTPS.

FYI: A business taxpayer can't use [Form 9465](#) unless the business is no longer operating.

CAF Check failed

Bob Wunderle said: We are receiving CAF copies of IRS correspondence, but when we attempt to access our client's TDS account using e-Services, we get "CAF check failed" messages. Why is this happening and what can be done to fix it?

Answer: We'll look into this and report on it in an upcoming month.

1040-X for 2016, ACA protective claims

Ronald Berman said: We filed some protective claims for refund regarding the possibility of ACA being declared unconstitutional. We received a notice stating that the IRS would not hold this, in effect denying the claim. We understood that protective claims are held by the IRS until the courts decide the issue. What procedures are in place for protective claims for refund, filed either as a letter or a 1040-X?

Answer: Were these procedures followed? [Due Date to File a Protective Claim for Tax Year 2016 Individual Income Tax Returns, Including for ACA, Has Been Postponed Until July 15, 2020](#)

Campus update, mail backlog

Carmen Van Der Leest asked: Do we know how far along the IRS is in getting caught up with the back log of paperwork? I have several clients that we paper filed an older year that were submitted back in Feb/Mar and then some as late as July.

Response: See [IRS Operations and Services](#) page.

Specifically: [Filed an Individual Tax Return \(Form 1040\), a Business Tax Return or an Amended Return \(updated December 1, 2020\)](#)

QCD

Clara Bogen asked: Will QCD still be available to retirees over age 72?

Qualified charitable distributions are discussed in Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs). This version is for 2019 returns. <https://www.irs.gov/pub/irs-pdf/p590b.pdf>. The 2020 version will be available in early 2021. See these pages:

- Page 2, What's New for 2020
- Page 13, Qualified charitable distributions, under "Are Distributions Taxable".

Next Call

The next call will be on January 7, 2021. We'll send out the WebEx link closer to that date.

Meetings are one hour long. Come when you can, leave when you must.

Thank you to everyone who attended. We appreciate your time and input.