NICHOLS PATRICK WEEKLY TAX UPDATE

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CITATIONS

1. **Promised Revenue Procedure Provides Guidance For Compliance With New Tangible Property Regulations (aka “Repair Regs”)**

**Revenue Procedure 2014-16** modifies the procedures for obtaining the automatic consent of the Commissioner for certain changes in methods of accounting for amounts paid to acquire, produce, or improve tangible property.  This revenue procedure also provides procedures for obtaining automatic consent to change to (1) a reasonable method described in section 1.263A-1(f)(4) of the regulations for self-constructed assets, and (2) a permissible method under section 263A(b)(2) of the Code and section 1.263A-3(a)(1) for certain costs related to real property acquired through a foreclosure or similar transaction.  Rev. Proc. 2011-14 modified and clarified, and Rev. Proc. 2012-19 modified and superseded.

Text of Revenue Procedure 2014-16 is at [http://op.bna.com/dt.nsf/r?Open=jwee-9fnkqv](http://op.bna.com/dt.nsf/r?Open=jwee-9fnkqv" \t "_blank).

1. **Significant Changes to Forms 990 and 990-EZ for 2013 Returns Due May 15, 2014**

**(IRS Chart of changes at www.irs.gov)**

IRS has prepared a chart explaining the changes and keying each explanation to the appropriate line on the Forms. You can download a copy of that chart by clicking on the following link, or go to [www.irs.gov](http://www.irs.gov) and search for “990 AND summary chart.”

[summary chart](http://email.aicpa.org/cgi-bin15/DM/t/nn660bHKBi0HUB0EJPX0Ex" \t "_blank)

1. **Final Regulations Offer Taxpayers Choice Of Authority For Calculating Certain Items of Investment Income For Purposes of Determining “Net Investment Income” Subject To 3.8% “Medicare Tax”**

(T.D. 9644; 2013-51 IRB 676; 78 F.R. 72394-72449; 12/2/2013)

Certain calculations of investment income are different between proposed and final regulations under IRC Sec. 1411. Concurrently with publication of the final regulations implementing IRC sec. 1411, Section 12 of the Preamble to the final regulations states that, for 2013, taxpayers will be allowed to choose which set of rules to follow. That will be particularly important for transactions involving self-charged interest, sale of an interest in a pass-through entity, or determining “properly allocable deductions.”

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1. **SB/SE Exam Unit May Disclose Federal Tax Return Information to OPR**

(ILM 201403006; 1/17/2014)

In a legal memorandum, the IRS concluded that its Small Business/Self-Employed examination unit may disclose the examination information concerning an individual who practices before the IRS to its Office of Professional Responsibility for purposes of OPR's disreputable conduct investigation into that individual's compliance.

1. **Company Granted Relief From Late Association Status, S Corp Elections**

(LTR 201403003; 1/17/2014)

The IRS granted a company an extension to elect to be treated as an association taxable as a corporation for federal tax purposes and ruled that a late subchapter S election will be treated as timely filed.

**Revenue Procedure 2013-30; 2013-36 I.R.B. 173; 8/14/2013**

Rev. Proc. 2013-30 affects taxpayers who elect to make late S corporation elections, electing small business trust elections, qualified subchapter S trust elections, qualified subchapter S subsidiary elections, and late corporate classification elections that the taxpayer intended to take effect on the same date that the taxpayer intended that an S corporation election for the entity should take effect.

Because Rev. Proc. 2013-30 describes procedures for situations within its scope that are in lieu of the letter ruling process that is ordinarily used to obtain relief for a late election under subchapter S, user fees do not apply to corrective actions taken under the revenue procedure. An entity that does not meet the requirements for relief or is denied relief under Rev. Proc. 2013-30 may seek relief by requesting a letter ruling.

Rev. Proc. 2013-30 is effective September 3, 2013.