**NICHOLS PATRICK WEEKLY TAX UPDATE**

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CITATIONS

1. **Fact Sheet Outlines Eligibility Rules for Earned Income Tax Credit**

(FS-2014-4; 1/31/2014)

The IRS, as part of its campaign to promote the availability of the earned income tax credit, has released a fact sheet outlining the eligibility rules, credit limits for the 2013 tax year, online tools for determining eligibility, and common errors in claiming the credit.

1. **Capitalization of Payments Is Not Required**

(ILM 201405014; 1/31/2014)

In a legal memorandum, the IRS concluded that construction support payments made by a taxpayer to retailers that distribute the taxpayer's products are not required to be capitalized under reg. section 1.263(a)-4

1. **Stock Election Is Valid**

(LTR 201405008; 1/31/2014)

The IRS ruled that an individual's section 83(b) election related to the purchase of restricted stock remains in effect because the requirements for a valid election were fulfilled and the failure to submit a copy of the election with a tax return did not affect its validity.

1. **Schedule UTP Filing Statistics From 2012 Tax Year**

(UTP Filing Statistics; 2/5/2014)

The IRS has released statistics compiled from the 2012 tax year on Schedule UTP filings, showing that in tax year 2012 there were 1,743 Schedule UTP filers and 4,166 uncertain tax positions reported and in tax year 2011 there were 2,190 Schedule UTP filers and 5,980 uncertain tax positions reported.

1. **Safe Harbor for Treatment of Indebtedness Secured by Property**

(Rev. Proc. 2014-20; 2014-9 IRB 1; 2/5/2014)

The IRS has issued guidance that provides a safe harbor under which it will treat indebtedness that is secured by 100 percent of the ownership interest in a disregarded entity that holds real property as indebtedness that is secured by real property for purposes of section 108(c)(3)(A).

1. **Doctor Can't Deduct Repayment of Funds Used for Medical Education**

(Tripp Dargie et al. v. United States; CA 6; No. 13-5608; 2/6/2014)

The Sixth Circuit affirmed a district court decision that granted the government summary judgment on a doctor's claim that he was entitled to a business expense deduction for the repayment of funds he received from a medical center to cover his education costs; the court held that the repayment was a nondeductible personal expense.

1. **Credits Reduce Amount of Deductible Excise Tax Liability**

(ILM 201406001; 1/30/2014)

In a legal memorandum, the IRS determined that a taxpayer's allowable federal income tax deduction for the section 4041 excise tax on special fuels and the section 4081 excise tax on petroleum products must be reduced by the amount of the fuel tax credits allowed under section 6426(a).

1. **Tax Court Determines Proper Treatment of Neurosurgeon's Work-Related Deductions**

(Elizabeth A. Vitarbo v. Commissioner; T.C. Summ. Op. 2014-11; 2/6/2014)

The Tax Court, in a summary opinion, held that a neurosurgeon's work-related expenses are deductible as itemized deductions subtracted from her adjusted gross income in the computation of her taxable income on Schedule A, finding that she did not show that she practiced medicine under circumstances other than as an employee.