NICHOLS PATRICK WEEKLY TAX UPDATE

February 24, 2014

With E. Lynn Nichols, CPA

1. **IRS Releases Transfer Pricing Audit Roadmap**

(Transfer Pricing Audit Roadmap; 2/14/2014)

The IRS Large Business & International Division's transfer pricing operations has released its transfer pricing audit roadmap, providing insight into what to expect during a transfer pricing examination to help improve communications and efficiency.

 “ROADMAP” is 26 page audit program that can be downloaded from [www.irs.gov](http://www.irs.gov)

1. **Businesses Encouraged to Make Method Changes for Dispositions Now**

(Article; 2/20/2014)

Although taxpayers are allowed to wait until the proposed regulations on dispositions of tangible depreciable property are finalized, those with the ability to do so should consider making necessary changes to their methods of accounting for dispositions now, a Treasury official said February 19.

1. **Tax Court Upholds Disallowance of Couple's Rental Activity Losses**

[John Erwin Smith; T.C. Summ. Op. 2014-13; 2/19/2014)

The Tax Court, in a summary opinion, upheld the IRS's deficiency determination disallowing passive activity losses from a couple's rental real estate activity, finding that their time log was a post-event "ballpark guesstimate" inadequate to prove material participation, and the couple's income was above the threshold for the 469(i) exception.

1. **Individual Denied Alimony Deduction for Equalization Payment to Former Wife**

(Roscoe Jerome McNealy; T.C. Summ. Op. 2014-14; 2/19/2014)

The Tax Court, in a summary opinion, held that an individual wasn't entitled to an alimony deduction for a payment made to his former wife, finding that the payment wasn't alimony because it was intended to ensure the equitable division of property and because the obligation to pay would not have terminated on the former wife's death.

1. **Tax Court Grants Individual Relief From Joint Liability With Former Husband**

(Julie G. Howerter; T.C. Summ. Op. 2014-15; 2/19/2014)

The Tax Court, in a summary opinion, held that an individual was entitled to equitable relief from a joint income tax liability with her former husband that stemmed from his unreported income, finding that relief was appropriate under section 6015(f) based on the facts and circumstances of the case.

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