**NICHOLS PATRICK WEEKLY TAX UPDATE**

**With E. Lynn Nichols, CPA**

**April 28, 2014**

**CITATIONS**

1. **Streamlined Exemption Application Available to Small EOs**

(Form 1023-EZ; Federal Register 3/31/2014; ARTICLE 4/21/2014)

The IRS has released a draft of a simplified exemption application for charities in an apparent effort to reduce burdens on smaller organizations, but some attorneys worry it could make it more difficult to get charities to comply with the tax laws.

[The draft  ]

1. **Tenth Circuit Affirms Decision Denying Tax Refund for Corporation**

(Ash Grove Cement Co. et al. v. United States; CA 10; No. 13-3058; 4/22/2014)

The Tenth Circuit, in an unpublished opinion, affirmed a district court decision that held that a corporation wasn't entitled to a tax refund after the IRS disallowed business expense deductions related to the settlement of a lawsuit, finding that the expenses were properly characterized by the IRS as capital expenditures.

1. **Fellowship Cash Stipend, Grant Funds Subject to Tax**

(Harris He Wang v. Commissioner; T.C. Summ. Op. 2014-39; 4/22/2014)

The Tax Court, in a summary opinion, upheld deficiency determinations against an individual, finding that the full amount of a stipend he received was includable in his gross income, and that funds derived from a federal grant that a company paid him to perform research in support of the grant was subject to self-employment tax.

1. **Couple Didn't Operate Amway Activity for Profit, Deductions Denied**

(Samer Mikhail et ux. v. Commissioner; T.C. Summ. Op. 2014-40; 4/22/2014)

The Tax Court, in a summary opinion, held that a doctor and his wife weren't entitled to business expense deductions for their Amway distribution activity, finding that the activity wasn't conducted in a businesslike manner or with the requisite profit objective; the court declined to hold them liable for an accuracy-related penalty.

1. **2015 Inflation-Adjusted Amounts for HSAs**

(Rev. Proc. 2014-30; 2014-20 IRB 1; 4/23/2014)

The IRS has announced the 2015 inflation-adjusted amounts for health savings accounts under section 223, noting changes in the maximum annual contribution limits for HSAs and in the out-of-pocket spending limits for high-deductible health plans.

1. **SB/SE Interim Guidance on OIC Payment Options**

(SBSE-05-0414-0029; 4/18/2014)

The IRS Small Business/Self-Employed Division has issued interim guidance for collection employees working offer in compromise cases, supplementing *Internal Revenue Manual* procedures on processing and investigating offer in compromise cases.

1. **SB/SE Guidance on Principal Residence Foreclosure Suits**

(SBSE-05-0414-0032)

The IRS Small Business/Self-Employed Division has reissued interim guidance on policies and procedures for suits to foreclose tax liens on real property used as a taxpayer's principal residence or owned by a taxpayer and used as a principal residence by the taxpayer's spouse, former spouse, or minor children.