NICHOLS PATRICK WEEKLY TAX UPDATE

With E. Lynn Nichols, CPA

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CITATIONS

1. **IRS Modifies Procedures for Accounting Method Changes for Depreciation, Disposition of Assets**

(Rev. Proc. 2014-17; 2014-12 IRB 1; 2/28/2014)

The IRS has issued guidance that modifies the procedures regarding some changes in method of accounting for dispositions of tangible depreciable property.

1. **Form 8960 Instructions**

**NII Tax Form Instructions Include Items Not Applicable for 2013**

(3/3/2014)

Final instructions for Form 8960, "Net Investment Income Tax -- Individuals, Estates, and Trusts," have been posted to the IRS website, although several items in those instructions will not apply to the 2013 tax year, according to an IRS official.

**Working Capital and Inclusion Issues for IRC Sec. 1411**

(3/4/2014)

The interplay between income derived in the ordinary course of a trade or business and the section 469(e)(1)(B) working capital rule has been the subject of questions directed at the IRS.

1. **IRS Allowed to Reduce Debtor's Refund for Repayment of First-Time Home Buyer Credit**

(Dawn V. Bryan v. United States; Bk Ct N CA; No. 10-10175; 2/27/2014)

A U.S. bankruptcy court held that a debtor's obligation to repay a first-time home buyer tax credit was a nondischargeable tax, finding that because the credit was similar to but, in fact, not a loan, the IRS was entitled to reduce her tax refund by the repayment obligation.

1. **LB&I Issues Memorandum Updating Guidance on IDR Enforcement Process**

(LB&I-04-0214-004; 2/28/2014)

The IRS Large Business and International Division has issued a memorandum that incorporates and supersedes prior guidance on information document requests, and provides further clarification to ensure that the procedures governing IDR issuance and enforcement are easily and clearly understood.

1. **Fifth Circuit Affirms Controlling Partners Entitled to Deduct Operational Expenses**

(Klamath Strategic Investment Fund; CA 5; No. 12-41286; 3/3/2014)

The Fifth Circuit, in an unpublished per curiam opinion, affirmed a district court's holding that operational expenses incurred by two partnerships that engaged in transactions that were disregarded for lack of economic substance were deductible by controlling partners, finding that the court did not err in its findings or exceed its jurisdiction.

1. **IRS Issues Final Regs on Healthcare Coverage Information Reporting**

(T.D. 9661; 79 F.R. 13231-13252; 3/10/2014)

The IRS has issued final regulations providing guidance to employers that are subject to the information reporting requirements under section 6056, as enacted by the Affordable Care Act.

**IRS Issues Final Regs on Information Reporting of Minimum Essential Coverage**

(T.D. 9660; 79 F.R. 13220-13231; 3/10/2014)

The IRS has issued final regulations for providers of minimum essential health coverage that are subject to the information reporting requirements of section 6055.

**Treasury Releases Fact Sheet on Final ACA Information Reporting Regs**

(FACT SHEET: Final Regulations Implementing Information Reporting for
Employers and Insurers under the Affordable Care Act (ACA); 3/5/2014)

Final Affordable Care Act regulations (T.D. 9660; T.D. 9661) on information reporting for employers and insurers will significantly streamline and simplify information reporting while making it easier for employers and insurers to provide quality, affordable healthcare coverage, Treasury said in a March 5 fact sheet.

1. **IRS Releases Video Providing Tax Tips to Same-Sex Married Couples**

(IR-2014-22; 3/6/2014)

The IRS has released a YouTube video to provide useful tax tips to same-sex married couples and help them file their federal income tax returns.

**IRS Updates FAQ on Same-Sex Couples Married Under State Law**

(Answers to Frequently Asked Questions for Individuals of the Same Sex Who Are Married Under State Law; 11/20/2013; Rev. 3/6/2014)

The IRS has updated its list of frequently asked questions providing tax-related information to individuals of the same sex who are lawfully married.

1. **Couple Not Entitled to 'Currently Not Collectible' Status**

(Troy N. Dalla; T.C. Memo. 2014-37; 3/6/2014)

The Tax Court upheld an IRS settlement officer's decision denying a couple "currently not collectible" status and sustaining a levy, finding that the officer had not abused her discretion and that the levy would not prevent the couple from meeting their living expenses or cause them hardship.

1. **IRS Releases Updated Audit Technique Guide on Farming Operations**

(Farmers ATG; 5/2011; Rev. 3/2014)

The IRS in February 2014 released an updated audit technique guide that contains examination techniques pertaining to farming operations, adding chapters on general livestock, livestock marketing and auction barns, grain, and tobacco.

(Available as 312 page PDF)