NICHOLS PATRICK WEEKLY TAX UPDATE

With E. Lynn Nichols, CPA

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1. **Disallowed Loss Still Reduces Shareholders' Bases in S Corp Stock**

(ILM 201421015; 5/23/2014)

In a legal memorandum, the IRS concluded that a disallowed section 311(a) loss will reduce shareholders' bases in S corporation stock and that the S corporation must reduce its accumulated adjustments account.

1. **Refund of State ITC Is Treated as Ordinary Income**

(ILM 201421016; 5/23/2014)

In a legal memorandum, the IRS determined that the refundable portion of the New York state investment tax credit paid directly to an individual investor in a limited liability company is taxable as ordinary income and cannot be offset by passthrough losses because the taxpayer does not have basis to claim the loss.

1. **Jury Upholds FBAR Fines Totaling 145 Percent of Account Value**

(Tax Notes Today; Article by Amy Elliott; 5/29/2014)

Florida resident Carl Zwerner lost his fight May 28 over what he deemed excessive fines levied by the IRS for his failure to report to Treasury the existence of a Swiss bank account, with a jury upholding $2.2 million in penalties, plus interest and additions for three of the four years at issue.

1. **FASB and IASB Release Long-Awaited Revenue Standard**

(Accounting Standards Update No. 2014-09; 5/28/2014)

The Financial Accounting Standards Board and the International Accounting Standards Board on May 28 released the long-awaited converged standard on revenue recognition, with FASB saying in a release that the new standard will "improve the financial reporting of revenue and improve comparability of the top line in financial statements globally."

[<http://goo.gl/xQaRfM>]

1. **IRS Didn't Abuse Discretion in Rejecting Compromise Offer**

(Kelvin Trent Tucker v. Commissioner; T.C. Memo. 2014-103; 5/29/2014)

The Tax Court held that the IRS did not abuse its discretion when it rejected an individual's offer in compromise and proceeded with a proposed levy and sustained a notice of federal tax lien, finding the individual failed to produce requested documentation about his assets and income and also failed to make required periodic payments.