

Recent Developments in Federal Income Taxation

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To obtain today's outline and slides:

<https://tinyurl.com/outline0320>

<https://tinyurl.com/slides0320>

Standard Mileage Rates for 2020
Notice 2020-5, 2020-4 I.R.B. 380 (12/31/19)

Outline: item D.1, page 2

- Business miles: 57.5 cents per mile (down from 58 cents)
- Medical/moving miles: 17 cents per mile (down from 20 cents)
- Charitable miles: remains at 14 cents per mile

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MoneyGram Int'l, Inc. v. Commissioner
153 T.C. No. 9 (12/3/19)

Outline: item H.1.b, page 4

- On remand from the Fifth Circuit, the Tax Court held that MoneyGram Int'l, Inc.:
 - Did not qualify as a "bank" under Code § 581 because a substantial part of its business did not consist of receiving "deposits" and making "loans and discounts"
 - Therefore, \$500 million of losses from writing off worthless securities were capital losses, not ordinary losses
- Because MoneyGram had no capital gains, the capital losses provided no tax benefit.

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Updated Life Expectancy Tables for Calculating RMDs
84 Fed/ Reg. 60812 (11/8/19)

Outline: item B.1, page 5

- Proposed regulations update existing life expectancy tables for determining required minimum distributions from qualified plans (including IRAs)
- Generally, the tables reflect longer life expectancies, which results in smaller RMDs.
- The proposed regulations do not reflect the SECURE Act's change in the age at which RMDs must begin to 72
- Are proposed to apply to distributions on or after January 1, 2021
 - For someone who reaches age 72 in 2020, the new tables would not apply to the distribution for 2020 (which must be made by April 1, 2020).
 - The new tables would apply to the distribution for 2021, which must be made by December 31, 2021.

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Kiddie Tax Changes Repealed

Outline: item A.1, page 5

- The 2017 TCJA added Code § 1(j)(4):
 - Modified the “kiddie tax” for tax years beginning after 2017 and before 2026.
 - Unearned income of minor children was taxed under the rate schedule that applies to trusts and estates (not by adding it to the parent's income and calculating the increase).
 - Thus, child's tax on unearned income was unaffected by the parents' situation.
- A provision of the SECURE Act, Division O, Title V, § 501 of the 2020 Further Consolidated Appropriations Act, repealed Code § 1(j)(4) for TY beginning after 2019, but taxpayers can elect to apply the repeal to 2018, 2019, or both years.

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Deduction of State and Local Taxes

Outline: item D.1, page 6

- TCJA: An individual's itemized deductions on Schedule A for state taxes cannot exceed \$10,000.
 - Applies to aggregate of property taxes, and sales or income taxes.
 - Limit applies both to single individuals and married individuals filing jointly
 - Applies 2018 through 2025
- Some states have adopted workarounds, e.g., New Jersey gives a credit against property taxes for contributions to certain charitable funds designated by the state.

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Deduction of State and Local Taxes

Outline: item D.1.d, page 8

- Final regulations: 84 Fed. Reg. 27,513 (6/13/19).
 - Apply to contributions *after* 8/27/18.
- The regulations:
 - Generally require taxpayers to reduce the amount of any federal income tax *charitable contribution deduction* by the amount of any corresponding state or local tax *credit*.
 - Provide an exception: a taxpayer's federal charitable contribution deduction is *not* reduced if the corresponding state or local credit does not exceed 15 percent of the taxpayer's federal deduction.
 - Example: T contributes \$1,000 to state charity and gets 10% state tax credit.
 - Provide that a *state or local tax deduction* normally will *not* reduce a taxpayer's federal *deduction* (provided the state and local deduction does not exceed the taxpayer's federal deduction).

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Notice 2019-12, 2019-27 I.R.B. 57 (6/11/19)
Proposed Regulations (12/17/19)
Outline: item D.1.e-f, pages 9-11

- Notice 2019-12 announces that the Treasury Department and the IRS intend to publish a proposed regulation to provide a safe harbor for individuals who itemize deductions and make a payment to or for the use of an entity described in § 170(c) in return for a state or local tax credit.
- Under this safe harbor, an individual who itemizes deductions and who makes a payment to a section 170(c) entity in return for a state or local tax credit may treat as a payment of state or local tax for purposes of section 164 the portion of such payment for which a charitable contribution deduction under section 170 is or will be disallowed under final regulations.
- Prop. Reg. § 164-3(j) (12/17/19) sets forth this safe harbor.

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Final Regulations on Partnership Liabilities
T.D. 9877, 84 Fed. Reg. 54014 (10/9/19)
Outline: item B.2, page 15

- Final regulations under §§ 704 and 752 address:
 - When a partner's obligation to restore a deficit in the partner's capital account is disregarded under §704
 - When partnership liabilities are treated as recourse under § 752
 - The treatment of bottom-dollar-guaranties of a partnership liability

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**Taxpayer First Act Changes
Affecting Tax-Exempt Organizations
*Outline: item A.1, page 17***

- Mandatory e-filing by tax-exempt organizations
- IRS must provide notice before revoking tax-exempt status for failure to file required returns or notices

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**Coal Property Holdings, LLC v. Commissioner
153 T.C. No. 7 (10/28/19)
*Outline: item B.1, page 18***

- Holds that the IRS properly disallowed a taxpayer's \$155.5 million charitable contribution deduction for a conservation easement on land that had been used for surface mining of coal.
- The language in the easement deed did not protect the charitable holder of the easement in perpetuity, as required.
- Problem: the extinguishment language in the deed dictating what would happen if the easement were extinguished.

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Penalty for Late Filing of an Income Tax Return
Outline: item A.1, page 20

- The SECURE Act (December 2020) increases the minimum penalty for an income tax return filed more than 60 days late to 100% of the tax required to be shown on the return or \$435 (formerly \$330)

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U.S. Auto Sales, Inc. v. Commissioner
153 T.C. No. 5 (10/28/19)
Outline: item D.1, page 22

- Holds that a notice of deficiency mailed to the taxpayer, the first 4 pages of which identified the taxpayer, but the latter 7 pages of which identified a related entity, was not a valid notice of deficiency.
- Accordingly, the taxpayer's petition to the Tax Court was dismissed.

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Other Recent Developments

- Stauffer v. IRS, 939 F.3d 1 (1st Cir. 9/16/19) [page 26, item c]
- TFA exclusion of certain debts from private debt collectors [page 29, item 3]
- TFA codification of waiver of OIC fees for low-income taxpayers [page 29, item 4]
- TFA clarification of Tax Court's scope and standard of review for innocent spouse cases [page 29, item 1]
- TFA requirement of voluntary IP PINs [page 33, item a]