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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's 1040 Deskbook

Twenty-eighth Edition (December 2015)

Highlights of this Edition

The following are some of the important update features of the 2015 edition of *PPC's 1040 Deskbook*:

- **Same-sex Marriage.** The *Obergefell* decision issued by the Supreme Court has made same-sex marriage legal in all states. The *Deskbook* has been updated for this decision, including planning tips.
- **Healthcare Premium Assistance Credit (Premium Tax Credit).** Taxpayers that meet a certain income level and enroll in a qualified health plan (QHP) through the individual market of a state insurance marketplace (i.e., a state exchange) may be eligible for the premium tax credit to help cover the cost of insurance. The key issue for this topic has been enhanced and expanded, including a discussion on repaying excess advance payments.
- **Individual Shared Responsibility Penalty (ISRP).** Taxpayers are required to carry a minimum level of health insurance or be subject to a penalty. The *Deskbook* has been updated to reflect the latest provisions of the ISRP, including discussion of the requirement to obtain Form 1095-A, 1095-B, or 1095-C as proof that minimum insurance has been obtained.
- **Change in Accounting Methods.** The IRS issued new guidelines for reporting a change in accounting methods (both automatic and non-automatic changes) with the issuance of Revenue Procedures 2015-13 and 2015-14. These provisions were further modified with additional revenue procedures. The *Deskbook* has been updated to reflect the new provisions, as well as to caution that a new version of Form 3115 (Application for Change in Accounting Method) will be issued.
- **Legislative Changes.** Tax provisions were included in several legislative actions, including the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, the Achieving a Better Life Experience (ABLE) Act of 2014, the Trade Preference Extension Act of 2015, and the Trade Priorities and Accountability Act of 2015. The *Deskbook* has been updated to include these new provisions, including changes to tax return due dates, ineligibility of certain expatriates to claim the child tax credit, and the creation of the new ABLE accounts for creating tax-free trusts to cover expenses of disabled individuals.
- **Expiring Tax Provisions.** Numerous favorable tax provisions expired at the end of 2014, including the increased Section 179 deduction, educator expenses, tuition and fees deduction, certain depreciation provisions, and the ability to make a tax-free direct IRA rollover to a charitable organization. The *Deskbook* notes these expiring provisions and the likelihood of these provisions being extended to 2015.

In addition to these featured items, your *Deskbook* includes the following update items:

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Filing Status	1. This chapter includes a caution about the <i>Salzer</i> case and a spouse who refuses to sign a taxpayer's return. 2. This chapter includes a discussion of the <i>Ibrahim</i> case about a married taxpayer who was allowed to change his filing status in spite of receiving a notice of deficiency.	Introduction Key Issue 1B

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	3. This chapter discusses the <i>Bruce</i> case and the <i>Kososki</i> case about divorcing couples changing from filing jointly to filing separately.	Key Issue 1B
	4. This chapter includes a law change alert about the <i>Obergefell</i> case affecting same-sex marriages.	Key Issue 1G
	5. This chapter includes a planning tip for same-sex couples who should consider the implications of married versus single tax rates.	Key Issue 1G
CHAPTER 2 Personal Exemptions	1. Foster child status and the dependency exemption are discussed in the <i>Cowan</i> case in this chapter.	Key Issue 2B
CHAPTER 4 Interest and Dividend Income	1. A practice tip has been added about the need to verify Form 1099-DIV qualified dividend treatment.	Key Issue 4A
	2. The chapter includes a law change alert regarding the change in penalties relating to the filing of Forms 1099 due to the Tax Increase Prevention Act of 2014 and the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015.	Key Issue 4B
	3. The chapter has added a discussion of the final and temporary regulations issued in March 2015 that provide certain reporting rules for brokers.	Key Issues 4C and 4D
CHAPTER 5 Pension and Retirement Income	1. This chapter has added an observation on the treatment of lump-sum distributions received for a decedent.	Key Issue 5A
	2. Ltr. Rul. 201506015 has been added to the list of reasons a failed reconversion of a Roth IRA may still be converted back into a traditional IRA.	Key Issue 5D
	3. This chapter has added an observation on when it might be beneficial to use the single life expectancy table rather than the joint life and last survivor table.	Key Issue 5J
	4. This chapter notes that the provision for IRA distributions to qualified charities has expired, but may be extended.	Key Issue 5J
	5. The <i>Webber</i> case regarding the investor control doctrine is discussed.	Key Issue 5K
CHAPTER 6 Other Items of Income	1. Qualified Tuition Program (QTP) investment strategies may now be changed twice per year.	Key Issue 6I
	2. This chapter discusses a possible safe harbor for electronic slot machine gamblers.	Key Issue 6K
	3. This chapter has added a key issue to discuss the new Achieving a Better Life Experience (ABLE) account that can be used to provide assistance to disabled persons. ABLE accounts allow tax-free accumulation of funds and eventual distributions to pay for future disability expenses.	Key Issue 6J
	4. The IRS has released two new forms related to the ABLE account. These forms are discussed in this chapter.	Key Issue 6J

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 7 Adjustments to Income	1. The discussion of myRAs has been expanded.	Key Issue 7B
	2. A discussion has been added for transitional relief from the Section 4980D excise tax for certain healthcare arrangements that apply to more-than-2% shareholders of S corporations.	Key Issue 7F
	3. The chapter has added discussion of a case distinguishing alimony from a child-related contingency.	Key Issue 7G
	4. The discussion of high deductible health plans (HDHPs) for purposes of health savings accounts (HSAs) is expanded to clarify what happens when a taxpayer makes an HSA contribution without having an HDHP.	Key Issue 7K
	5. The discussion of partner payment of self-employed health insurance premiums to clarify treatment has been revised.	Key Issue 7F
	6. The chapter has added discussion of new proposed regulations which eliminate the benefits-and-burdens-of-ownership rule for determining the party able to claim the domestic production activities deduction when a manufacturing contractor is used.	Key Issue 7L
CHAPTER 8 Sole Proprietorships (Schedule C)	1. The chapter mentions the <i>Metz</i> and <i>Free-Pacheco</i> cases regarding hobby loss rules.	Key Issue 8A
CHAPTER 9 Farm Income and Expenses (Schedule F)	1. The <i>Deskbook</i> has been revised to reflect that the IRS has not acquiesced in the <i>Morehouse</i> decision regarding self-employment taxes on Conservation Reserve Program (CRP) payments.	Key Issue 9I
	2. The chapter clarifies that the Section 461(j) limit on farm losses provision still applies, even though Congress erroneously duplicated the Code section paragraph by assigning it to two provisions.	Key Issue 9K
CHAPTER 10 Rental Property (Schedule E)	1. The chapter mentions the <i>Van Malssen</i> case regarding days spent at a vacation home to conduct repairs and maintenance.	Key Issue 10A
	2. The chapter discusses the <i>Redisch</i> case regarding the need to make a bona fide attempt to rent the property.	Key Issue 10A
CHAPTER 11 Tax Accounting Meth- ods	1. The procedures for changing an accounting method were materially changed by Rev. Procs. 2015-13, 2015-14, and 2015-33. Rev. Proc. 2011-14 has been superseded, except for Sec. 14, by Rev. Proc. 2015-13. Rev. Proc. 97-27 has been superseded by Rev. Proc. 2015-13.	Key Issue 11C
	2. Taxpayers may file a Form 3115 even if under examination but must meet one of the six exceptions to receive audit protection for taxable years prior to the year of change.	Key Issue 11C
	3. User fees for non-automatic changes in method of accounting requests were updated to reflect fees prior to February 2, 2015 and after February 1, 2015.	Key Issue 11C

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 12 Travel and Entertainment	1. The <i>Deskbook</i> has added discussion of the <i>Wakefield</i> case regarding the use of credit card statements for substantiation of travel expenses.	Key Issue 12A
	2. An observation has been added discussing the <i>Howard</i> case on when certain expenses of an itinerant may be deductible.	Key Issue 12F
CHAPTER 14 Depreciation	1. This chapter addresses the expiration of legislation that allowed higher Section 179 amounts, bonus depreciation, and shorter recovery periods for certain qualified real property.	Key Issues 14B, 14C and 14E
	2. Rev. Proc. 2015-48 provides additional guidance on the carryover of unused Section 179 expense for certain qualified real property.	Key Issue 14B
CHAPTER 16 Passive Activities	1. The <i>Deskbook</i> mentions the <i>Lamas</i> case regarding substantiating time spent on an activity to determine if it is passive or active.	Key Issue 16B
	2. The <i>Deskbook</i> discusses the <i>Williams</i> case on self-rentals with S corporations.	Key Issue 16F
	3. The <i>Deskbook</i> mentions the <i>Leyh</i> case on when travel time can be counted towards time spent on an activity to determine if it is passive or active.	Key Issue 16H
	4. The <i>Deskbook</i> addresses the <i>Padilla</i> case on investor-related time.	Key Issue 16H
	5. CCA 201504010 regarding the types of activities considered to be real property trades or businesses is discussed in the <i>Deskbook</i> .	Key Issue 16H
	6. A new key issue has been added discussing publicly traded partnerships (PTPs).	Key Issue 16K
CHAPTER 17 Pass-through Entities	1. The <i>Deskbook</i> has been updated to reflect that the beneficial adjustment to shareholder basis for charitable contributions made by an S corporation expired at the end of 2014.	Key Issue 17C
	2. The <i>Deskbook</i> has added discussion of the <i>Cutler</i> case regarding where state income taxes of nonresident partners should be deducted.	Key Issue 17E
	3. An observation has been added regarding proposed regulations addressing disguised payments for services in partnerships.	Key Issue 17H
CHAPTER 18 Securities Transactions	1. The chapter has added a caution regarding IRS concerns about basket options contracts.	Key Issue 18A
	2. A caution has been added regarding the taxability of certain tax-exempt dividends for some state tax purposes, depending on the source.	Key Issue 18B
	3. The chapter added a note about a new IRS audit technique guide for equity-based compensation.	Key Issue 18G
	4. A practice tip has been added to this chapter regarding employers requiring employees to report all stock sales so that disqualifying dispositions can be identified.	Key Issue 18G

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	5. A note has been added regarding IRS guidance on whether the employer's merger into another corporation was considered a disposition of stock purchased with an employee's incentive stock option (ISO).	Key Issue 18G
	6. The chapter has added a client advice about selling shares previously acquired in an ISO for alternative minimum tax (AMT) purposes.	Key Issue 18G
	7. A discussion of payroll tax issues regarding a disqualifying disposition of an ISO has been added to the chapter.	Key Issue 18G
	8. A new key issue on virtual currency has been added to the <i>Deskbook</i> .	Key Issue 18K
CHAPTER 19 Installment Sales, Like-kind Exchanges, and Conversions of Property	1. Proposed regulations have been issued on when the disposition of an installment obligation to a related party is exempt from gain or loss recognition. The <i>Deskbook</i> has added discussion of these proposed regulations.	Key Issue 19G
	2. The <i>Deskbook</i> mentions the <i>Blangiardo</i> case regarding using a related party as a qualified intermediary in a like-kind exchange.	Key Issue 19H
	3. The <i>North Central Rental & Leasing</i> case is discussed regarding whether the safe harbor provisions of an LKE program trumps the related-party restrictions.	Key Issue 19H
CHAPTER 22 Personal Residence Transactions	1. Beginning with October 1, 2015, a new Closing Disclosure replaces the HUD-1 when a house is purchased or sold. An example of the new Closing Disclosure, including footnotes showing where amounts should be included on the purchaser's income tax return, has been included.	Illustration 22-1
CHAPTER 26 Charitable Contribu- tions	1. The <i>Deskbook</i> mentions special provisions for the timing of a deduction for contributions made for the relief for the families of two slain NYPD officers.	Introduction
	2. The <i>Deskbook</i> notes that the special provision for the charitable contribution limitations for qualified conservative easements expired at the end of 2014.	Key Issues 26A, 26D
	3. The <i>Deskbook</i> mentions the <i>Kunkel</i> case regarding substantiation and valuation of charitable contributions.	Key Issue 26C
	4. Proposed regulations have been issued regarding a new donee reporting process. The <i>Deskbook</i> discusses these proposed regulations, including when they will be applicable.	Key Issue 26C
	5. The <i>Deskbook</i> mentions three new cases regarding conservation easements.	Key Issue 26D
	6. The <i>Deskbook</i> cautions that the ability to make a tax-free IRA distribution to a qualified charity expired at the end of 2014, but may be extended.	Key Issue 26I
CHAPTER 28 Other Itemized Deduc- tions	1. In <i>Boneparte</i> , the Tax Court decided that living in a casino was not enough to establish that a taxpayer was a professional gambler.	Key Issue 28F
	2. In this chapter, an alert was added about a safe harbor for electronic slot machine gamblers.	Key Issue 28F

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 29 Interest Expense	1. The <i>Deskbook</i> added discussion of the <i>Minchem</i> case on interest tracing.	Key Issue 29A
	2. The <i>Deskbook</i> added discussion of the <i>Van Pham</i> case on a taxpayer without legal title qualifying to deduct mortgage interest.	Key Issue 29D
	3. The <i>Deskbook</i> added a discussion of a Chief Counsel Advice addressing three fact patterns of the mortgage interest deduction.	Key Issue 29D
	4. In the <i>Voss</i> case, the 9 th Circuit reversed the Tax Court's decision originally delivered in the <i>Sophy</i> case.	Key Issue 29D
CHAPTER 30 Self-employment Tax	1. The Tax Court and the IRS have contradictory opinions on when CRP payments made to non-farmers are considered self-employment income, as highlighted by the <i>Morehouse</i> case, in which the IRS has issued a notice of <i>nonacquiescence</i> .	Key Issue 30A
	2. A note has been added regarding the <i>Methvin</i> case in which the partnership elected to be excluded from the application of subchapter K.	Key Issue 30A
	3. A note has been added regarding whether NOL carryforwards can reduce current net earnings from self-employment.	Key Issue 30A
CHAPTER 32 Kiddie Tax	1. A practice tip has been added regarding filing separate returns for children because some states require them.	Introduction
CHAPTER 34 Excise and Other Taxes	1. With the advent of the new ABLÉ account, related penalties were also instated. This chapter has added discussion about the 6% excess contribution tax on ABLÉ accounts.	Key Issue 34A
	2. The <i>Morles</i> case was added about eviction as a hardship.	Key Issue 34B
	3. Beginning with 2016, the Defending Public Safety Employees' Retirement Act changed the age for public safety officers to receive distributions from qualified plans without incurring an early withdrawal penalty.	Key Issue 34B
	4. The chapter mentions the new IRS calculator for the individual shared responsibility penalty.	Key Issue 34G
	5. Discussion has been added regarding the new IRS forms related to whether acceptable insurance has been obtained by the taxpayer.	Key Issue 34G
CHAPTER 35 Personal Credits	1. A comment has been added regarding the absence of a limitation on how many years the adoption credit can be claimed when additional adoption expenses continue to be paid in future years with respect to a specific adoption that has been finalized.	Key Issue 35B
	2. We have noted throughout the chapter whether each personal credit is available to offset the individual shared responsibility penalty tax for failure to maintain minimum essential health insurance coverage.	Throughout
	3. New legislation affects whether the refundable child tax credit can be claimed when the foreign earned income exclusion is elected by the taxpayer.	Key Issue 35C

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	4. A discussion has been added about new legislation placing restrictions on claiming an education credit if the taxpayer does not have the proper supporting documentation.	Key Issue 35D
	5. We have briefly discussed the Supreme Court ruling that affects the ability of taxpayers to claim the health insurance premium tax credit when they reside in a state that has only a federal exchange.	Key Issue 35H
	6. The discussion of the health insurance premium tax credit has been enhanced and expanded. A discussion on repaying excess advance payments has been added.	Key Issue 35H
CHAPTER 36 Business Credits	1. The Work Opportunity Credit expired for employees hired after December 31, 2014, but is still available for certain previously hired employees.	Key Issue 36A
CHAPTER 38 Tax Payments	1. The <i>Deskbook</i> mentions the new IRS2Go app available for making tax payments from smart phones and other devices.	Key Issue 38D
CHAPTER 39 Filing Returns	1. Private delivery service options have changed.	Key Issue 39B
	2. An example was added to show the calculation of the FBAR penalty over multiple years.	Key Issue 39J
	3. The <i>Moore</i> case is discussed regarding when the IRS was found to be arbitrary and capricious.	Key Issue 39J
QUICK REFERENCE TABLES	1. The Federal Tax Data Sheet has been enhanced to include the annual adjustments for AMT exemptions, phase-outs, and imposition of the 28% tax rate.	Table T101
	2. A new table has been added to show the applicable limits on health care advance premium tax credit payments that a taxpayer may have to repay for 2015.	Table T1110
ELECTIONS	1. The <i>Deskbook</i> has added an election to accrue interest and acquisition discount on short-term obligations.	Election E311
	2. An election for acquisition discount on short-term obligations accrued using the current yield method has been added to the <i>Deskbook</i> .	Election E312