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**LIST OF SUBSTANTIVE CHANGES AND ADDITIONS**

***PPC’s 1040 Deskbook***

**Thirty-fifth Edition (October 2022)**

**Highlights of this Edition**

The following are some of the important new features of the 2022 Edition of *PPC’s 1040 Deskbook*:

- **Inflation Reduction Act of 2022 (IR Act).** The IR Act made substantial changes to energy credits affecting nonbusiness property, including personal residences, and automobiles. The *Deskbook* has been updated to reflect these changes.
- **Required Minimum Distributions (RMDs).** The IRS has issued new guidance on RMDs for changes made by the Setting Every Community Up for Retirement Enhancement Act (SECURE Act), including proposed regulations and an IRS Notice granting penalty relief to certain beneficiaries. The *Deskbook* has been updated to incorporate this guidance.
- **Digital Assets.** The IRS continues to focus on digital assets, such as virtual currency and nonfungible tokens (NFTs). The *Deskbook’s* discussion of digital assets has been enhanced, including discussion of the IRS enforcement efforts, and new examples have been added.

In addition to these featured items, your *Deskbook* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Filing Status	1. Added an Observation regarding the requirement for married filing separate taxpayers to treat deductions consistently for each spouse.	Key Issue 1B
	2. Added an Observation regarding additional common-law states allowing married taxpayers to opt in to community property rules.	Key Issue 1D
CHAPTER 3 Wages and Salaries	1. Added an example regarding the carryover of unused 2021 dependent care contributions.	Key Issue 3A
	2. Added a discussion of Form 8919 related to taxpayers who are improperly treated as independent contractors when they are really employees.	Key Issue 3C
CHAPTER 5 Pension and Retirement Income	1. Noted that a new checkbox exists on Form 1040 for those who use the lump-sum method election for social security benefits.	Key Issue 5A
	2. Updated for proposed regulations issued to incorporate changes made by the SECURE Act.	Key Issues 5F, 5H, and 5J

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	3. Updated for Notice 2022-53 which provides penalty relief in 2021 and 2022 for required minimum distributions to certain ineligible designated beneficiaries.	Key Issue 5J
CHAPTER 6 Other Items of Income	1. Added discussion of crowdfunding proceeds.	Key Issue 6K
CHAPTER 7 Adjustments to Income	1. Expanded discussion of the steps to adopt an SEP.	Key Issue 7C
CHAPTER 8 Sole Proprietorships (Schedule C)	1. Added mention of the <i>Kellett</i> case stating that revenue does not always have to be generated to prove that a business has started for purposes of the start-up costs deduction.	Key Issue 8D
CHAPTER 9 Farm Income and Expenses (Schedule F)	1. Added Rev. Proc. 2022-14 for guidance on making an accounting method change to not apply IRC Sec. 263A to one or more plants removed from the list of plants that have a preproductive period more than two years.	Key Issue 9F
CHAPTER 10 Rental Property (Schedule E)	1. Added Note regarding homes used as short-term rentals, as with Airbnb and VRBO.	Key Issue 10A
CHAPTER 11 Tax Accounting Methods	1. Updated for Rev. Proc. 2022-14, the latest automatic change in accounting method procedure.	Throughout
CHAPTER 12 Travel and Entertainment	1. Added a Planning Tip reminding practitioners to account for the return of the 50% deduction limitation for restaurant-provided meals when preparing 2023 taxable income projections.	Key Issue 12C
CHAPTER 13 Net Operating Losses	1. Added an example that illustrates an NOL carryback to a year subject to the 80% of taxable income limitation.	Key Issue 13B
CHAPTER 14 Depreciation	1. Mentioned guidance for making certain late elections under Rev. Proc. 2022-23.	Key Issue 14A
	2. Updated for the provisions of the 2017 Tax Cuts and Jobs Act repealing the ability to currently deduct expenses of developing software beginning January 1, 2022, and instead amortizing them over 60 months.	Key Issue 14H
CHAPTER 15 Automobiles and Other Listed Property	1. Noted that credits for two-wheeled plug-in vehicles and alternative motor vehicles expired at end of 2021.	Key Issue 15H
	2. Revised for changes to the new qualified plug-in electric vehicle credit, now known as the clean vehicle credit, included in the IR Act.	Key Issue 15H
	3. Added discussion of the alternative fuel vehicle refueling property credit, including latest provisions included in the IR Act.	Key Issue 15H
CHAPTER 17 Pass-through Entities	1. Added an Observation regarding a recent court case in which partnership losses were disallowed because the partners had not accurately tracked basis.	Key Issue 17A

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 18 Securities Transactions	<ol style="list-style-type: none"> <li>2. Expanded the discussion of shareholder stock and debt basis tracking requirements and Form 7203. Included a new illustration showing how a partial loan repayment is reported on Form 7203.</li> <li>3. Revised the discussion of Form 8082 disclosure.</li> <li>1. Expanded discussion of Rev. Rul. 2019-24 related to hard forks, air drops and soft forks.</li> <li>2. Added discussion of CCA 202114020 related to timing for recognition of income due to a hard fork.</li> <li>3. Added discussion of ILM 202124008 regarding like-kind exchange treatment of virtual currency.</li> <li>4. Included discussion of IRS' Operation Hidden Treasure and Letters 6173, 6174 and 6174-A regarding potential unreported virtual currency transactions.</li> <li>5. Added discussion of Section 2 of the Keep Innovation in America Act, part of the Infrastructure Investment and Jobs Act of 2021, for digital asset reporting requirements beginning after December 31, 2023.</li> <li>6. Added two examples and explanatory text related to NFTs.</li> </ol>	<p>Key Issue 17C, Illustration 17-6</p> <p>Key Issue 17D</p> <p>Key Issue 18K</p> <p>Key Issue 18K</p> <p>Key Issue 18K</p> <p>Key Issue 18K</p> <p>Key Issues 18K and 18M</p> <p>Key Issue 18M</p>
CHAPTER 20 Trade or Business Property Transactions	<ol style="list-style-type: none"> <li>1. Added a Note regarding post-sale purchase price adjustments when assets have been disposed of, depreciated, amortized, or depleted between the original sale date and the date the purchase price was adjusted.</li> <li>2. Added three examples related to the sale of Section 1245 property and depreciation recapture.</li> </ol>	<p>Key Issue 20C</p> <p>Key Issue 20D</p>
CHAPTER 21 Bad Debt Losses, Debt Discharge Income, and Foreclosures	<ol style="list-style-type: none"> <li>1. Added a Caution regarding taxability of PPP loan forgiveness for taxpayers who inappropriately received forgiveness.</li> </ol>	<p>Key Issue 21B</p>
CHAPTER 24 Standard Deduction	<ol style="list-style-type: none"> <li>1. Removed special 2021 provision regarding ability to deduct up to \$300 (\$600 if MFJ) of charitable contributions when claiming standard deduction.</li> </ol>	<p>Introduction</p>
CHAPTER 25 Medical Expenses	<ol style="list-style-type: none"> <li>1. None</li> </ol>	
CHAPTER 26 Charitable Contributions	<ol style="list-style-type: none"> <li>1. Removed special 2021 provisions regarding ability to deduct up to \$300 (\$600 if MFJ) of charitable contributions when claiming standard deduction and ability to elect to use 100% of AGI limitation.</li> <li>2. Removed information regarding Virginia Beach since it expired in 2021.</li> <li>3. Added discussion of Notice 2022-28 regarding employer leave-based donation programs to aid victims of Ukraine.</li> </ol>	<p>Throughout</p> <p>Introduction</p> <p>Introduction</p>

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 28 Other Itemized Deductions	1. Reduced discussion regarding older qualified disaster losses (i.e., Hurricanes Harvey, Maria, and Irma, as well as California wildfires).	Key Issue 28A
	2. Added discussion on use of safe harbor for Ponzi-type investment losses.	Key Issue 28A
CHAPTER 30 Self-employment (SE) Tax	1. Added discussion of a chief counsel advice that differentiates when certain services performed by owner when renting out a room still meets the rental exception from SE tax.	Key Issue 30A
CHAPTER 34 Excise and Other Taxes	1. Included discussion of new exception for 10% premature distribution penalty associated with modifying a substantially equal periodic payment.	Key Issue 34B
	2. Updated for Notice 2022-53 which provides penalty relief in 2021 and 2022 for required minimum distributions to certain ineligible designated beneficiaries.	Key Issue 34D
CHAPTER 35 Personal Credits	1. Noted that the special 2021 expanded provisions for the child and dependent care credit under the ARPA have expired. However, 2021 expenses paid in 2022 may still be eligible for the increased credit.	Key Issue 35A
	2. Noted that the special 2021 expanded provisions for the child tax credit under the ARPA have expired.	Key Issue 35C
	3. Noted that the special 2021 expanded provisions for the earned income credit under the ARPA have expired.	Key Issue 35F
	4. Added law change alert and revised discussion for the changes made by the IR Act to the Residential Energy Efficient Property (REEP) credit and the nonbusiness energy property credit, including the renaming of the credits to the residential clean energy credit and energy efficient home improvement credit.	Key Issue 35G
	5. Noted that the IR Act extended the special provisions for individuals whose household income exceeds 400% of the family poverty line (FPL).	Key Issue 35H
	6. Updated for proposed regulations regarding COVID-19 testing and cost of employer-sponsored family coverage.	Key Issue 35H
	7. Added discussion on how lump-sum Social Security payments relating to prior years affect current year household income.	Key Issue 35H
	8. Removed discussion of the recovery rebate credit as it has expired after 2021.	Former Key Issue 35I
CHAPTER 36 Business Credits	1. Removed discussions of employee retention credit, employer credits for qualified sick leave and qualified family leave wages paid, and the COBRA subsidy credit.	Key Issue 36A

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CHAPTER 39 Filing Returns	<ol style="list-style-type: none"> <li>1. Noted that the <i>Seaview Trading, LLC</i> case was reversed and remanded.</li> <li>2. Added discussion of <i>Soni</i> case on tacit consent to file joint return with forged signature.</li> <li>3. Added discussion about temporary allowance of e-signatures for certain paper-filed forms.</li> <li>4. Noted that the Supreme Court will review the issue on whether the penalty for failure to file FBAR returns is computed by number of accounts or by number of forms filed.</li> <li>5. Added additional discussion regarding FBAR requirements.</li> </ol>	<p>Key Issue 39B</p> <p>Key Issue 39G</p> <p>Key Issue 39G</p> <p>Key Issue 39J</p> <p>Key Issue 39J</p>
Quick Reference Tables	<ol style="list-style-type: none"> <li>1. Updated for the provisions of the 2017 Tax Cuts and Jobs Act repealing the ability to currently deduct expenses of developing software beginning January 1, 2022, and instead amortizing them over 60 months.</li> </ol>	<p>T805</p>
Worksheets	<ol style="list-style-type: none"> <li>1. Revised charitable contribution carryover worksheet to reflect expiration of ability to elect to use 100% of AGI limitation.</li> <li>2. Revised worksheet to better assist the completion of Form 7203 for S corporation shareholder basis.</li> <li>3. Added new worksheet on tracking shareholder debt basis.</li> </ol>	<p>Worksheet W308</p> <p>Worksheet W317</p> <p>Worksheet W327</p>
Other Practice Aids	<ol style="list-style-type: none"> <li>1. Added items to the list of deductible and nondeductible medical expenses.</li> </ol>	<p>Other Practice Aid O502</p>