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Treasury Regulations
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10. Relief for Underpayment of Estimated Income Tax
11. Tax Transcripts
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13. Voluntary Disclosure Procedures
1. Government Shutdown

- 70,000 of the IRS’s 80,000 employees (87%) are currently furloughed.

- The 2018 filing season will begin on January 28, at which time 36,000 additional IRS employees will return to work (for a total of 46,000 or 57%).

- During the 2018 filing season, the IRS will:
  - process refunds (at least for individuals);
  - reopen call sites; and
  - keep non-automated audits on pause.
CENTRALIZED PARTNERSHIP AUDIT REGIME
2. Special Enforcement Matters (Notice 2019-06)

- IRS and Treasury intend to propose regulations regarding two matters that present special enforcement considerations under I.R.C. § 6241(11).

- *First*, proposed regulations will allow the IRS to address a single partner or a small group of partners with respect to a limited set of partnership-related items at the partner level rather than at the partnership level.

- *Second*, for purposes of electing out, a partnership with a QSub partner must count the I.R.C. § 6031(b) statements the parent S corporation issues to its shareholders against the 100-or-fewer-statement requirement.
3. Final Regulations (T.D. 9844)

- **August 17, 2018**: Notice of proposed rulemaking withdrew previously proposed regulations and provided new proposed regulations reflecting technical corrections enacted by P.L. 115-141.

- **December 21, 2018**: T.D. 9844 contains final regulations addressing among other topics:
  - The scope of the centralized partnership audit regime;
  - Rules under I.R.C. §§ 6225 and 6226;
  - Interest and penalties; and
  - Limited comments on the IRS Appeals process.
4. De Minimis Error Safe Harbor (Proposed)

- Proposed regulations on de minimis error safe harbor for I.R.C. § 6721 (information returns) and I.R.C. § 6722 (payee statements) penalties.

- Safe harbor applies to a de minimis error in a dollar amount reported on an otherwise correct and timely filed information return / payee statement. An error is de minimis if it is not more than $100 ($25 for withholding tax).

- Regulations would apply to information returns / payee statements required to be filed / furnished on or after January 1 of the calendar year immediately following publication of final regulations.

83 Fed. Reg. 52726
5. Return Preparer Due Diligence Penalty (Final)

• I.R.C. § 6695(g) imposes a penalty on return preparers who fail to satisfy due diligence requirements when determining a taxpayer’s eligibility to claim head-of-household status or certain credits.

• T.D. 9842 contains final regulations implementing recent law changes relating to statutory expansions of this penalty.

• The final regulations are effective November 7, 2018.

83 Fed. Reg. 55662
OTHER UPDATES
6. Compliance Assurance Process ("CAP")


- 2019 application process for existing CAP taxpayers includes additional filing requirements:
  - Preliminary list of material issues for the CAP year (IRS template);
  - Specified transfer-pricing issue information (IRS template); and
  - Research credit information (IRS questionnaire).

- IRS expects to accept new applications for 2020 CAP year. New applicants must be publicly held C corporations (and satisfy other preexisting requirements).
7. In-Person Appeals Conferences

- **October 2016**: Appeals stopped automatically granting in-person conferences but retained discretion to grant with managerial approval.

- **October 2017**: Appeals will grant in-person conferences automatically for field cases, but not for campus cases.

- **November 2018**: Appeals will transfer a campus case to an Appeals office that can accommodate an in-person conference when requested.

Memo. AP-08-1118-0013
8. I.R.C. § 965 Obligations for 2018 – IRS Q&A

• IRS recently released six questions and answers ("Q&A") relating to 2018 return filing and payment obligations arising under I.R.C. § 965.

• The Q&A address topics such as how to make installment payments, how the IRS will apply estimated payments, and whether a refund is available in certain circumstances.

9. LB&I Campaigns

• LB&I announced five more campaigns in October 2018:
  1. Individual Foreign Tax Credit Phase II
  2. Offshore Service Providers
  3. FATCA Filing Accuracy
  4. 1120-F Delinquent Returns
  5. Work Opportunity Tax Credit

• This makes fifty campaigns since the January 2017 rollout.

• For more information, see: https://www.irs.gov/businesses/large-business-and-international-compliance-campaigns.
10. Relief for Underpayment of Estimated Income Tax

• Notice 2019-11 provides relief for certain individuals from the addition to tax under I.R.C. § 6654 for underpayment of 2018 estimated income tax.

• Relief applies for individuals whose 2018 withholding and estimated tax payments are at least 85% of the individual’s 2018 tax.

• Individuals must use Form 2210, *Underpayment of Estimated Tax by Individuals, Estates, and Trusts*, to request this relief.
11. Tax Transcripts

New Format

• IRS now redacts personal information from *individual* tax transcripts.
• Financial entries remain visible.
• Business tax transcripts remain unredacted.

Delivery

• IRS will stop faxing tax transcripts as of February 4, 2019.
  – Applies to both individual and business transcripts.
  – IRS will instead mail the transcript to the taxpayer’s address of record.
  – *Get Transcripts Online* and *e-Services Transcript Delivery Service* remain available.
• IRS will stop mailing tax transcripts to third parties listed on Form 4506-T around May 2019.
12. Taxpayer Digital Communications Pilot

- The IRS plans to expand the Taxpayer Digital Communications ("TDC") pilot that the IRS launched in December 2016.

- The pilot program allows taxpayers to answer correspondence-audit notices electronically via a secure messaging system rather than by mail.

- 40,000 invitations to the pilot program will go out in 2019. (Of the 28,000 previously invited to participate, only 3,000 have signed up.)
13. Voluntary Disclosure Procedures

• IRS discontinued the Offshore Voluntary Disclosure Program ("OVDP") as of September 28, 2018.

• IRS announced new voluntary disclosure procedures on November 20, 2018. The new procedures:
  – apply to voluntary disclosures (both domestic and offshore) for willful noncompliance;
  – do not guarantee immunity from criminal prosecution (unlike OVDP); and
  – give discretion to examiners regarding penalties (unlike OVDP).

• Streamlined procedures remain in effect and an option for many taxpayers with non-willful reporting failures.

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