CASES, RULINGS, REGULATIONS AND STATUTES

BANKRUPTCY

CHAPTER 13

TRUSTEE FEE. The debtors, husband and wife, filed for Chapter 13 and filed a plan. Two creditors objected to the plan and the debtors made a few payments to the trustee; however, the plan was not confirmed. The debtors failed to make several payments and the case was dismissed under an agreement with the trustee. The dismissal agreement provided that the trustee would retain the payments until the debtors' attorney filed for attorney's fees and, once the fee was approved by the court, the trustee was to pay such fees and retain the trustee's fee percentage from the payments. The attorney applied for fees and the trustee sought court approval for payment of the attorney fee and retention of the trustee's fee. Under Section 1326(a)(2) a trustee may not make payments under unconfirmed plans and if the case is dismissed, any funds collected in the case must be returned to the debtors without any fee to the trustee. The trustee receives a fee only for payments made under a confirmed plan. See Section 1326(b)(2). In this case, the plan was not confirmed and the case dismissed; therefore, the trustee would not be making any payments under the Chapter 13 plan because no plan was confirmed. Thus, the court held that the trustee could not be paid a fee for paying the debtors' payments to the attorney. ***In re* Crespin, 2019 Bankr. LEXIS 1575 (Bankr. D. N.M. 2019)**.

FEDERAL ESTATE AND GIFT TAXATION

PORTABILITY. The decedent died, survived by a spouse, on a date after the effective date of the amendment of I.R.C. § 2010(c), which provides for portability of a "deceased spousal unused exclusion" (DSUE) amount to a surviving spouse. The decedent's estate was not required to file a Form 706; therefore, no election was made. The estate represented that the value of the decedent's gross estate was less than the applicable exclusion amount in the year of the decedent's death including any taxable gifts made by the decedent. The IRS granted the estate an extension of time to file Form 706 with the election. However, the IRS noted that, if it is later determined that, based on the value of the gross estate and taking into account any taxable gifts, the decedent's estate is required to file an estate tax return pursuant to I.R.C. § 6018(a), the Commissioner is without authority under Treas. Reg. § 301.9100-3 to grant an extension of time to elect portability and the grant of the extension will be deemed null and void. See § 20.2010-2(a)(1). Note: The IRS has provided for a simplified method of obtaining an extension of time to file a portability election for small estates that are not normally subject to filing a Form 706. See *Rev. Proc. 2017-34, I.R.B. 2017-26, 1282*. **Ltr. 201921008, Dec. 19, 2018.**

FEDERAL FARM PROGRAMS

MARKET ACCESS PROGRAM. The CCC has issued a notice that it is inviting applications for the 2020 Market Access Program (MAP). The MAP is administered by personnel of the Foreign Agricultural Service (FAS) on behalf of CCC. The Notice solicits proposals from eligible applicants for fiscal year 2020 and sets out the criteria for the awarding of funds under the program. All applications must be received by 5 p.m. Eastern Daylight Time, Friday, June 28, 2019. Applications received after this date will not be considered. FAS anticipates that the initial funding selections will be made by the end of October 2019, with the initial award dates estimated to be by the end of December 2019. **84 Fed. Reg. 24467 (May 28, 2019)**.

FEDERAL INCOME TAXATION

DEPRECIATION. The IRS has issued tables detailing the (1) limitations on depreciation deductions for owners of passenger automobiles (and for trucks and vans) first placed in service during calendar year 2019 and (2) the amounts to be included in income by lessees of passenger automobiles first leased during calendar year 2019.

For passenger automobiles acquired *before* September 28, 2017 and placed in service in 2019 for which the additional first-year depreciation deduction applies, the depreciation limitations are as follows:

Tax Year	Amount
1st tax year	$14,900
2d tax year	$16,100
3d tax year	$9,700
Each succeeding year	$5,760

For passenger automobiles acquired *after* September 27, 2017 and placed in service in 2019 for which the additional first-year depreciation deduction applies, the depreciation limitations are as follows:

Tax Year	Amount
1st tax year	$18,100
2d tax year	$16,100
3d tax year	$9,700
Each succeeding year	$5,760

For passenger automobiles placed in service in 2019 for which the additional first-year depreciation deduction does not apply, the depreciation limitations are as follows:

Tax Year	Amount
1st tax year	$10,100
2d tax year	$16,100
3d tax year	$9,700

Each succeeding year $5,760

For leased passenger automobiles, I.R.C. § 280F(c) requires a reduction in the deduction allowed to the lessee of the passenger automobile. The reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under Treas. Reg. § 1.280F-7(a), this reduction requires a lessee to include in gross income an inclusion amount determined by applying a formula to the amount obtained from tables included in the revenue procedure. The revenue procedure includes tables showing the inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased. **Rev. Proc. 2019-26, I.R.B. 2019-24**.

DISASTER LOSSES. On April 17, 2019, the President determined that certain areas in Alabama were eligible for assistance from the government under the Disaster Relief and Emergency Assistance Act (42 U.S.C. § 5121) as a result of severe storms, tornadoes and flooding which began on February 19, 2019. **FEMA-4426-DR**. On April 17, 2019, the President determined that certain areas in Tennessee were eligible for assistance from the government under the Act as a result of severe storms and flooding which began on February 19, 2019. **FEMA-4427-DR**. On April 17, 2019, the President determined that certain areas in Kentucky were eligible for assistance from the government under the Act as a result of severe storms and flooding which began on February 6, 2019. **FEMA-4428-DR**. On April 23, 2019, the President determined that certain areas in Mississippi were eligible for assistance from the government under the Act as a result of severe storms, tornadoes and flooding which began on February 22, 2019. **FEMA-4429-DR**. Accordingly, taxpayers in these areas may deduct the losses on their 2018 or 2019 federal income tax returns. See I.R.C. § 165(i).

DISCHARGE OF INDEBTEDNESS. *Caution*: the following case involved tax law in effect prior to passage of the TCJA 2017. The taxpayer purchased a residence in part in 1981, with the remainder purchased in 1986. The property was sold in a short sale in 2011 for more than the balance of the mortgage. In 1988 the taxpayer purchased a second residence which the taxpayer used as the primary residence after the sale of the first residence. In 2007 the taxpayer obtained a home equity line of credit (HELOC) secured by the first residence and two HELOCs on the second residence. In 2011, the lender issued three forms 1099-C, *Cancellation of Debt*, showing canceled debt for all three HELOCs. The taxpayer did not included the amount of canceled debt as income for 2011, claiming that the taxpayer was eligible for the qualified principal residence exclusion of I.R.C. § 108(a)(1)(E) and the insolvency exclusion of I.R.C. § 108(a)(1)(B). I.R.C. § 108(a)(1)(E) provides that gross income does not include amounts which would be includible as cancellation of indebtedness income if “the indebtedness discharged is qualified principal residence indebtedness.” Qualified principal residence indebtedness is defined as (1) acquisition indebtedness (2) with respect to the taxpayer’s principal residence. I.R.C. § 163(h)(3)(B)(i) provides that acquisition indebtedness is “incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer” and must be secured by that residence. The court found that the taxpayer used a portion of one of the loans to pay for driveway expansion work on the first residence and this amount was qualified principal residence indebtedness eligible for the exclusion; however, funds used to purchase custom drapes was not eligible for the exclusion. However, I.R.C. § 108(h)(4) provides that where only a portion of a discharged loan is qualified principal residence indebtedness, the amount that may be excluded is only “so much of the amount discharged as exceeds the amount of the loan (as determined immediately before such discharge) which is not qualified principal residence indebtedness.” Thus, the court held that the exclusion applied only the difference between the discharged amount above the non-qualified principal residence indebtedness. The court also found that the taxpayer failed to provide evidence to support the insolvency exclusion; therefore, the taxpayer was not entitled to exclude any additional portion of the discharged indebtedness. **Bui v. Comm’r, T.C. Memo. 2019-54**.

EARNED INCOME TAX CREDIT. The taxpayer received a Medicaid waiver payment for the care of the taxpayers’ related disabled adult children during the 2015 tax year, and the taxpayer reported this payment on the 2015 tax return. The taxpayer reported no other such income on the 2015 tax return. The parties stipulated that Medicaid waiver payments are treated as difficulty of care payments pursuant to *Notice 2014-7, I.R.B. 2014-4, 445*, and that the payments were excludable from gross income under I.R.C. § 131, which excludes certain foster care payments from the gross income of a foster care provider. Although the taxpayer reported the Medicaid waiver payment as wages on the 2015 tax return, the taxpayer excluded the payment from the calculation of gross income for 2015 pursuant to the instructions included with Form 1040. For 2015 the taxpayer also claimed an earned income tax credit (EITC) of $3,319 and an additional child tax credit (ACTC) of $653, which represented the refundable portion of petitioners’ child tax credit. The IRS disallowed the claimed EITC and ACTC. To qualify for an EITC or an ACTC the taxpayer must demonstrate that the taxpayer had “earned income” for 2015 as that term is defined in I.R.C. § 32(c)(2)(A). The IRS argued that the taxpayer’s Medicaid waiver payment was properly excluded from gross income and does not qualify as “earned income” for the purpose of determining EITC and ACTC eligibility. I.R.C. § 32(a)(1) allows an income tax credit for eligible individuals which is computed as a percentage of the taxpayer’s “earned income.” “Earned income” is defined under I.R.C. § 32(c)(2)(A)(i) as “wages, salaries, tips, and other employee compensation, but only if such amounts are includible in gross income for the taxable year.” I.R.C. § 24(a) allows a credit against tax with respect to each qualifying child of the taxpayer for which the taxpayer is allowed a dependency exemption deduction under I.R.C. § 151. Where a taxpayer has no tax liability imposed, I.R.C. § 24(d) allows for a refundable portion of this child tax credit based in part on the taxpayer’s earned income as defined under I.R.C. § 32. The IRS argued that Notice 2014-7 changed the nature of the Medicaid waiver payments to unearned income but the court disagreed, holding that the IRS, through a Notice, cannot change the nature of payments under the Code. Because the Medicaid waiver payments remained earned income under I.R.C. § 131, the payments were sufficient to entitle the taxpayer to the EIC and ACTC. **Feigh v. Comm'r, 152 T.C. No. 15 (2019)**.

HEALTH INSURANCE. The taxpayers were married in November 2015. In December 2014, the wife purchased health insurance through a health insurance marketplace and was eligible for an advance premium tax credit (PTC) for $371 per month which was used to reduce her monthly premium. The husband did not have health insurance in 2015. The taxpayers filed a joint return for 2015 and reported a total AGI of $113,975 and claimed the wife's child as a dependent. The taxpayers did not include Form 8962*, Premium Tax Credit(PTC)*, with their 2015 return nor include the advance PTC in income. I.R.C. § 36B(c)(1)(A) provides a refundable credit for taxpayers who are insured by a qualified health plan and have household income of no more than 400% above the federal poverty line (FPL). The FPL is determined by guidelines in effect on the first day of the exchange's regular enrollment period for the relevant year. See I.R.C. § 36B(d)(3)(B); Treas. Reg. § 1.36B-1(h). The amount of the PTC is based on both the taxpayer's income and the cost of the benchmark qualified health plan. See I.R.C. § 36B; Treas. Reg. § 1.36B-3(f). PTC recipients are required to pay a percentage of their household income toward their insurance premiums. I.R.C. § 36B(b)(3). The percentage used to determine the taxpayer's share of the premiums varies, with lower income households paying a smaller percentage of their household income toward their premiums. See I.R.C. § 36B(b)(3)(A)(i). The percentages range from 2 percent to 9.5 percent. The amount of the PTC is the lesser of either the monthly premium for the qualified health plan or the excess of the adjusted monthly premium for the benchmark qualified health plan over one-twelfth of the taxpayer's required share of the annual premium. I.R.C. § 36B(b)(2); Treas. Reg. § 1.36B-3(g). For the purpose of determining PTC eligibility, household income is generally defined as the "modified adjusted gross income" (MAGI) of the taxpayer plus the aggregate MAGI of family members (1) for whom the taxpayer is allowed deductions for personal exemptions and (2) who were required to file a federal income tax return under I.R.C. § 1. See I.R.C. § 36B(d); Treas. Reg. § 1.36B-1(d) and (e)(1). Treas. Reg. § 1.36B-4(b)(2)(i). provides for an "alternative computation" to address circumstances where taxpayers, such as the taxpayers in this case, are unmarried at the beginning of the taxable year, marry during the year, and file a joint return for the same taxable year. Taxpayers who qualify for the alternative computation may use it to compute their additional tax liability for the taxable year. To be eligible for the alternative computation, taxpayers must have been unmarried at the beginning of the taxable year and married at the end of the taxable year and at least one of them must have received advance PTC payments. The taxpayers' additional tax liability using the alternative computation is equal to the excess of the taxpayers' advance PTC payments for the taxable year over the amount of the "alternative marriage-year credit." The alternative marriage-year credit is the sum of both taxpayers' "alternative premium assistance amounts for the premarriage months" and the "premium assistance amounts for the marriage months." The court found that, under the alternative computation, the taxpayer still had to include $4,457 of the advance PTC in taxable income. The taxpayers argued that the rules were unfair to the wife who was eligible for the full PTC for 11 months of the year. The court sympathized with the taxpayers but held that the rules were clear and specific on these matters. **Fisher v. Comm'r, T.C. Memo. 2019-44**.

HEALTH SAVINGS ACCOUNTS. For tax years beginning after December 31, 2014, the maximum annual HSA is the indexed statutory amount, without reference to the deductible of the high deductible health plan. For calendar year 2020, the limitation on deductions under I.R.C. § 223(b)(2)(A) for an individual with self-only coverage under a high deductible health plan is $3,550 ($7,100 for family coverage). For calendar year 2020, a "high deductible health plan" is defined under I.R.C. § 223(c)(2)(A) as a health plan with an annual deductible that is not less than $1,400 for self-only coverage or $2,800 for family coverage, and the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) do not exceed $6,900 for self-only coverage or $13,800 for family coverage. **Rev. Proc. 2019-25, I.R.B. 2019-25, 1261**.

HOME OFFICE. The IRS has published information for small business owners who may qualify for a home office deduction. Taxpayers can take this deduction if they use a portion of their home exclusively, and on a regular basis, for any of the following: (1) as the taxpayer's main place of business; (2) as a place of business where the taxpayer meets patients, clients or customers in the normal course of business; (3) if it is a separate structure that is not attached to the taxpayer's home and this structure is used in connection with the business; (4) as a place where the taxpayer stores inventory or samples and the place is the sole, fixed location of the business; and (5) under certain circumstances, the structure where the taxpayer provides day care services. Deductible expenses for business use of a home include: real estate taxes, mortgage interest, rent, casualty losses, utilities, insurance, depreciation, repairs, and maintenance. Certain expenses are limited to the net income of the business. These are known as allocable expenses. They include things such as utilities, insurance, and depreciation. While allocable expenses cannot create a business loss, they can be carried forward to the next year. If the taxpayer carries them forward, the expenses are subject to the same limitation rules. There are two options for figuring and claiming the home office deduction: *Regular method*. This method requires dividing the above expenses of operating the home between personal and business use. Self-employed taxpayers file Form 1040, Schedule C, and compute this deduction on Form 8829. *Simplified method*.The simplified method reduces the paperwork and recordkeeping for small businesses. The simplified method has a set rate of $5 a square foot for business use of the home. The maximum deduction allowed is based on up to 300 square feet. There are special rules for certain business owners: Daycare providers complete a special worksheet, which is found in Publication 587. Self-employed individuals use Form 1040, Schedule C, Line 30 to claim deduction. Farmers claim the home office deduction on Schedule F, Line 32. **IRS Tax Tip 2019-66**.

INFORMATION RETURNS. The IRS has published a revised Form W-4 which implements changes made since passage of the 2017 Tax Cuts and Jobs Act, which made major revisions affecting taxpayer withholding. The redesigned Form W-4 no longer uses the concept of withholding allowances, which was previously tied to the amount of the personal exemption. Due to changes in the law, personal exemptions are currently not a central feature of the tax code. "The primary goals of the new design are to provide simplicity, accuracy and privacy for employees while minimizing burden for employers and payroll processors," said IRS Commissioner Chuck Rettig. The IRS expects to release a near-final draft of the 2020 Form W-4 in mid-to-late July to give employers and payroll processors the tools they need to update systems before the final version of the form is released in November. To make additional improvements to this initial draft for 2020, the IRS is now accepting comments for 30 days (after May 31, 2019). To facilitate review of this form, IRS is also releasing FAQs about the new design. The IRS anticipates the related instructions for employers will be released in the next few weeks for comment as well. The IRS reminds taxpayers that this draft Form W-4 is not for current use, but is a draft of the form to be used starting in 2020. Employees who have submitted a Form W-4 in any year before 2020 will not be required to submit a new form merely because of the redesign. Employers can continue to compute withholding based on the information from the employee's most recently submitted Form W-4. For 2019, taxpayers should continue using the current Form W-4. The IRS also continues to encourage people to do a Paycheck Checkup as soon as possible to see if they are withholding the right amount of tax from their paychecks, particularly if they had too much or too little tax withheld when they filed their 2018 taxes earlier this year. People with major life changes, such as a marriage or a new child, should also check their withholding. *The form can be found at https://www.irs.gov/pub/irs-dft/fw4--dft.pdf* **IR-2019-98.**

PARTNERSHIPS.

INCOME. The taxpayer was an LLC which elected to be taxed as a partnership. The taxpayer created a subsidiary single-owner disregarded entity, also an LLC, to receive memberships to be used to finance the construction of a sports field. The memberships were subject to repayment without conditions if the membership is terminated under terms set in the membership agreement. The membership agreement provided that the termination of a membership will take place upon the occurrence of one or more of the following events: (1) the expiration of the term of membership; (2) The death of a member who is an individual, unless an immediate family member reasonably acceptable to the LLC elects to assume the obligations of the membership agreement; (3) the failure of a member to comply with the terms and conditions of the membership agreement; (4) a member's failure to purchase team season tickets for the applicable designated seat(s) by the payment deadline specified by the LLC; or (5) the transfer by a member that is not permitted by the membership agreement. In *James v. United States, 366 U.S. 213 (1961)*, the U.S. Supreme Court explained that, in order for gain (e.g., money) to be includible in gross income, there must be a claim of right to the alleged gain and the absence of a definite, unconditional obligation to repay or return that which would otherwise constitute a gain. The IRS ruled that, because the LLC had an unconditional obligation to repay the memberships, the membership fees were not includible in taxable income of the LLC and the taxpayer. **Ltr. Rul. 201918016, Feb. 5, 2019**.

REHABILITATION TAX CREDIT. The IRS has published information about the qualifications for the rehabilitation tax credit which provides an incentive to renovate and restore old or historic buildings. Tax reform legislation passed in December 2017 changed when the credit is claimed and provides a transition rule. The credit is 20 percent of the taxpayer's qualifying costs for rehabilitating a building but does not apply to the money spent on buying the structure. The Code now requires taxpayers take the 20 percent credit spread out over five years beginning in the year they placed the building into service. The 2017 amendments eliminate the 10 percent rehabilitation credit for pre-1936 buildings. A transition rule provides relief to owners of either a certified historic structure or a pre-1936 building by allowing owners to use the prior law if the project meets these conditions: (1) the taxpayer owned or leased the building on January 1, 2018, and the taxpayer continues to own or lease the building after that date; and (2) the 24- or 60-month period selected by the taxpayer for the substantial rehabilitation test begins by June 20, 2018. Taxpayers use Form 3468, *Investment Credit*, to claim the rehabilitation tax credit and a variety of other investment credits. The form must be attached to the return for each year in which the qualified rehabilitation tax credits are claimed. The form is not required when carrying forward or back net operating losses from a rehabilitation tax credit claimed in another tax year. Form 3468 must be filed by a shareholder, partner (other than a partner in an electing large partnership), or beneficiary claiming a credit through an S corporation, partnership, or trust. In addition, if an estate or trust, S corporation, or partnership is the owner of a certified historic structure, it must file a Form 3468 even if the credit is not being claimed by the entity. A lessor of property may elect to treat the lessee as having acquired the property. The lessee treated as the owner of the property is required to file Form 3468. The lessor is to attach a copy of the election to their return and the lessee files Form 3468. The lessor also should provide the National Park Service project number to the lessee. *Rev. Proc. 2014-12, I.R.B. 2014-3, 415* establishes the circumstances under which the IRS will not challenge partnership allocations of I.R.C. § 47 rehabilitation credit by a partnership to its partners. **Tax Reform Tax Tip 2019-64**.

S CORPORATIONS

SECOND CLASS OF STOCK. The taxpayer, an S corporation adopted an equity compensation plan which authorized the corporation to sell shares of stock to key employees or to grant shares or options to purchase shares to such employees. Shares acquired under the plan were subject to the same transfer restrictions set forth in the corporation's stock agreement under which stock may not be transferred without consent of the chairman of the board. In addition, shares held by employees may be repurchased under certain circumstances by the corporation (generally, upon termination of employment) at either the "nonforfeiture repurchase price," which equals the fair market value of the shares, or the "forfeiture repurchase price," which is the lesser of: (i) the fair market value of the shares or (ii) the price paid, if any, to acquire the shares. Depending on the circumstances, the forfeiture repurchase price could be as low as zero. The repurchase price of the shares will only be the forfeiture repurchase price if the employee has engaged in activity meeting the definition of "cause" in the plan, which generally only includes theft or fraud by the employee that materially harms the corporation. Some employees requested (1) permission to transfer their shares to a trust for the benefit of themselves and/or their family members, or (2) that the shares that would otherwise be issued to them pursuant to the plan instead be issued to such a trust. The trusts were eligible S corporation shareholders. Shares held in such trusts will be subject to the same restrictions under the agreement and the plan as shares directly held by employees. The taxpayer represented that the agreement and the plan were not created as a plan to circumvent the one class of stock requirement for S corporations. I.R.C. § 1361(b)(1) defines a "small business corporation" as a domestic corporation which is not an ineligible corporation and which does not (1) have more than 100 shareholders, (2) have as a shareholder a person (other than an estate, a trust described in I.R.C. § 1361(c)(2), or an organization described in I.R.C. § 1361(c)(6)) who is not an individual, (3) have a nonresident alien as a shareholder, and (4) have more than one class of stock. A corporation is treated as having only one class of stock if all outstanding shares of stock of the corporation confer identical rights to distribution and liquidation proceeds. Treas. Reg. § 1.1361-1(l)(2)(i) provides that the determination of whether all outstanding shares of stock confer identical rights to distribution and liquidation proceeds is made based on the corporate charter, articles of incorporation, bylaws, applicable state law, and binding agreements relating to distribution and liquidation proceeds. Treas. Reg. § 1.1361-1(l)(2)(iii)(B) provides that bona fide agreements to redeem or purchase stock at the time of death, divorce, disability, or termination of employment are disregarded in determining whether a corporation's shares of stock confer identical rights. The IRS ruled that the transfer restrictions and repurchase provisions in the agreement and the plan will be disregarded in determining whether the corporation's shares of stock confer identical rights. **Ltr. Rul. 201918013, Nov. 16, 2018**.

The taxpayer was an S corporation with voting and non-voting shares of the same class of stock. The shareholders entered into agreement which provided that: (1) if a shareholder's voting stock is sold, a corresponding percentage of such shareholder's non-voting stock must be cancelled, and in the event that the remaining shareholders have other than equal ownership of the remaining shares of non-voting stock, those shareholders would be entitled to distributable earnings *pro rata* in accordance with the shares of non-voting stock; and (2) in the event of a sale of the corporation, one shareholder would be entitled to receive from the proceeds a payment in excess of the payments to the other two shareholders. The agreement was later amended to remove these two provisions and no shares were sold between the date the agreement was executed and the date the agreement was removed. The taxpayer represented that the circumstances resulting in the possible termination of the S corporation election were inadvertent and not motivated by tax avoidance and its shareholders have filed all returns consistent with the corporation's status as an S corporation. The IRS ruled that the termination of the S corporation status was inadvertent and did not cause a termination of S corporation status. **Ltr. Rul. 201919005, Nov. 19, 201**8.

STUDENT WORKERS. The IRS has published information for students working at summer jobs. Employees, including those who are students, normally have taxes withheld from their paychecks by their employer. When anyone gets a new job, they need to fill out a Form W-4, *Employee's Withholding Allowance Certificate*. Employers use this form to calculate how much federal income tax to withhold from the new employee's pay. The Withholding Calculator on IRS.gov can help a taxpayer fill out this form. *Self-employment*: Students who do odd jobs, such as baby-sitting or lawn care, over the summer to make extra cash are self-employed. Money earned from self-employment is taxable, and self-employed workers may be responsible for paying taxes directly to the IRS by making estimated tax payments during the year. *Tip income*: Students working as waiters or camp counselors who earn tips as part of their summer income should know tip income is taxable. They should keep a daily log to accurately report tips. They must report cash tips to their employer for any month that totals $20 or more. *Payroll taxes*: This tax pays for benefits under the Social Security system. While students may earn too little from their summer job to owe income tax, employers usually must still withhold Social Security and Medicare taxes from their pay. If a student is self-employed, Social Security and Medicare taxes may still be due and are generally paid by the student by making estimated tax payments during the year. *Reserve Officers' Training Corps pay*: If a student is in an ROTC program, and receives pay for activities such as summer advanced camp, it is taxable. Other allowances the student may receive – like food and lodging – may not be taxable. The *Armed Forces' Tax Guide* on IRS.gov provides additional details. **IRS Tax Tip 2019-62**.

TAX RETURN PREPARERS. The IRS has published e-file-related instructions for tax return preparers who temporarily close their tax office after tax season or who permanently close their tax office. Preparers who are planning to close their tax office for the year should: (1) Update their IRS e-file application to allow IRS to communicate with them and prevent their Electronic Filing Identification Number (EFIN) from being inactivated. They should verify and, if needed, update their firm's Principals, Responsible Officials, addresses and telephone numbers. (2) Keep all Forms 8879 (IRS e-file Signature Authorization) and acknowledgment reports for three years. (3) Keep copies of all clients' tax returns until the end of the calendar year as the electronic return originator (ERO). (4) Check their EFIN status page to verify the number of returns they filed matches the number of returns received by IRS. While their office is closed, it is a good practice to periodically verify their EFIN is not being used by anyone else. Preparers who are planning to permanently close their tax office should note that:
(1) The easiest way to notify IRS of the closing is to use the "Close Office" feature on the IRS e-file Application. (2) Providers may not sell or transfer EFINs, other identification numbers, or passwords when selling, transferring or otherwise discontinuing an IRS e-file business. IRS refers preparers to Publication 3112 (IRS e-file Application and Participation) for more information. **IRS Quickalert, May 21, 2019**.