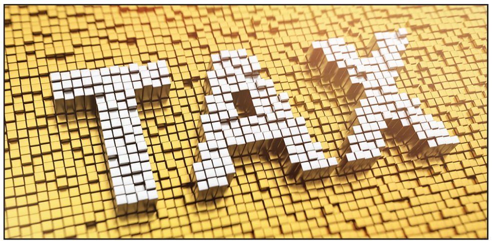

Tax News and Industry Updates

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WY - 307.215.9653
CO - 719.270.0737

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Vehicle Depreciation Limits

Cross References

- Rev. Proc. 2022-17
- IRC §280F

When the actual expense method is used for deducting the business use of a vehicle, the cost of the vehicle is depreciated under MACRS using a 5-year recovery period. The Section 179 deduction is also allowed for business vehicles. The annual deduction for depreciation, including any Section 179 deduction or special depreciation allowance is limited to statutory amounts. The 50% and 100% special depreciation allowance does not apply to IRC section 280F property. Instead, these limits are increased by $8,000 for the first year.

The annual deduction is the lesser of:

- The vehicle's basis multiplied by the business use percentage multiplied by the applicable depreciation percentage, or
- The IRC section 280F limit multiplied by the business percentage.

The IRC section 280F limits are adjusted each year for inflation. The chart in the next column reflects the new IRC section 280F limits for 2022 in comparison to 2021.

Vehicle Depreciation Limitations (IRC §280F)		
Tax year first placed in service:	**2022**	**2021**
Vehicle depreciation limitations based on 100% business or investment use:		
1st year if special depreciation is claimed	$19,200	$18,200
1st year depreciation	$11,200	$10,200
2nd year depreciation	$18,000	$16,400
3rd year depreciation	$10,800	$9,800
Each succeeding year	$6,460	$5,860

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Crowdfunding Update

Cross References

- FS-2022-20

Crowdfunding is a method of raising money through websites by soliciting contributions from a large number of people. The contributions may be solicited to fund businesses, for charitable donations, or for gifts.

The IRS recently updated information on its website concerning whether or not a Form 1099-K, *Payment Card and Third Party Network Transactions,* is required to be filed with the IRS and issued to the one receiving the funds from a crowdfunding campaign.

The crowdfunding website or its payment processor may be required to report distributions of money raised if the amount distributed meets certain reporting thresholds. Prior to 2022, the threshold for a crowdfunding website or payment processor was when the total of all payments distributed to a person exceeded $20,000 in gross payments resulting from more than 200 transactions or donations.

For calendar years beginning in 2022, the threshold is lowered and is met if the total of all payments distributed to a person exceeds $600 in gross payments, regardless of the number of transactions or donations.

The new IRS update clarifies that the crowdfunding website or its payment processor is not required to file Form 1099-K with the IRS or furnish it to the person to whom the distributions are made if the contributors to the crowdfunding campaign do not receive goods or services for their contributions.

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Taxpayer Experience Office

Cross References

- IR-2022-50

As part of a longer-term effort to improve taxpayer service, the IRS has officially established the first-ever Taxpayer Experience Office and will soon begin taking additional steps to expand the effort.

"As the IRS continues taking immediate steps this filing season including adding more employees to address the significant challenges facing a resource-constrained IRS, it's critical that we work going forward to equip the IRS to be a 21st century resource for Americans," said IRS Commissioner Chuck Rettig. "The formal establishment of this office will help unify and expand efforts across the IRS to improve service to taxpayers."

The Taxpayer Experience Office will focus on all aspects of taxpayer transactions with the IRS across the service, compliance and other program areas, working in conjunction with all IRS business units and coordinating closely with the Taxpayer Advocate Service. The office is part of the effort envisioned in the Taxpayer First Act Report to Congress last year. This included input and feedback from taxpayers, tax professionals and the tax community that helped develop the Taxpayer Experience Strategy. The Report to Congress identified over a hundred different programs and tools that would help taxpayers, including a 360-degree view of taxpayer accounts, expanded e-File and payment options, digital signatures, secure two-way messaging, and online accounts for businesses and tax professionals.

To help drive the IRS strategic direction for improving the taxpayer experience, the Taxpayer Experience Office has identified key activities the IRS is focusing on over the next five years, including those commitments outlined in the President's Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government.

"The IRS is committed to customer experiences that meet taxpayers where they are, in the moments that matter most in people's lives and in a way that delivers the service that the public expects and deserves," said Chief Taxpayer Experience Officer Ken Corbin, who also serves as the commissioner of the Wage and Investment division, which oversees the current filing season and other activities.

The Taxpayer Experience Office will identify changing taxpayer expectations and industry trends, focus on customer service best practices, and promote a consistent voice and experience across all taxpayer segments by developing agency-wide taxpayer experience guidelines and expectations. The office will be adding staff in the coming months to help support the effort.

"Whether checking the status of a tax return, meeting with a revenue agent for an audit, or receiving a tax credit to their bank account, improving service delivery and customer experience are fundamental priorities for us," Corbin said. "We're committed to designing and delivering services that better connect with our diverse taxpayer base."

Some of the areas of improvement in the near-term include expanding customer callback, expanded payment options, secure two-way messaging and more services for multilingual customers. These activities build on recent improvements such as digital tools to support Economic Impact Payments and the Advance Child Tax Credit, online chat and online tax professional account.

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Election Required to Claim Itemized Deductions

Cross References

- *Salter,* T.C. Memo 2022-029, April 5, 2022

A recent tax court case illustrates the importance of filing a return and electing to claim itemized deductions on that return.

The taxpayer incurred travel expenses for his W-2 job. Although he claimed he filed a tax return for the year at issue, the IRS had no record of a return being filed, and the taxpayer could not produce any evidence that he in fact filed a return. As a result, the IRS prepared a substitute return on the basis of third-party reporting, using the standard deduction to reduce taxable income.

The taxpayer then filed an amended return claiming itemized deductions which included unreimbursed employee business expenses, but the IRS rejected the return.

The tax court noted IRC section 63(e)(1) provides that, "unless an individual makes an election under this subsection for the taxable year, no itemized deduction shall be allowed for the taxable year." IRC section 63(e)(2) provides that "any election under this subsection shall be made on the taxpayer's return." In certain circumstances a taxpayer may make "a change of election with respect to itemized deductions," but only when a return was previously filed. [IRC §63(e)(3)]

The court went on to explain that the statutory direction that an election to itemize deductions "shall be made on the taxpayer's return" is mandatory. Thus, if an individual fails to file a return, he has made no election to itemize deductions. If no return is filed and, as a result, the IRS prepares a substitute return, then the individual has made no election and may not claim itemized deductions. Having failed to file a return and thereby having failed to elect to claim itemized deductions on the return, the taxpayer is not entitled to do so during tax court proceedings.

Note: This case primarily affects non-filers who have had substitute returns prepared for them by the IRS. Once that happens, the taxpayer loses the ability to reduce taxes by itemizing deductions on an amended return.

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Mileage Log Book

Cross References

• *Struble,* T.C. Summary 2022-1

This case illustrates that a mileage log book with dates, locations, and miles driven is not enough to meet the strict substantiation requirements for claiming a business mileage deduction.

The taxpayer was employed by the U.S. Air Force. She was a trained medic, and her primary duty was to act as a medical facilitator, coordinating across the Department of Defense among the Air Force, Army, and Navy to ensure each branch was in compliance with applicable standards and regulations for medical training. All expenses incurred as a medical facilitator were reimbursed.

In addition to these duties, she was also an Additional Duty First Sergeant (ADFS) where she took care of individuals with health problems, guided individuals through financial issues incident to their health problems, and made death notifications. ADFS duties involved travel between various military bases, and none of her travel expenses incurred with her ADFS duties were reimbursable.

To substantiate her business miles driven in connection with her ADFS travel, the taxpayer kept a self-prepared ledger documenting business miles driven. The ledger was not a contemporaneous record. The taxpayer updated it quarterly using a calendar that purportedly recorded contemporaneously all of her business mileage. The taxpayer did not produce the calendar into evidence.

The ledger entries did not clearly state a business purpose for the reported mileage, and the entries did not clearly indicate that her business mileage expenses were non-reimbursable costs incurred in connection with her ADFS duties. For example, each business mile entry included the following generic description: "Home to *** [Fort Sam Houston] to Lackland to Back Home," without specifying whether the cost was incurred for non-reimbursable purposes.

The court noted mileage expenses are subject to strict substantiation rules under IRC section 274. Such expenses are not deductible unless the taxpayer substantiates them with adequate records or sufficient evidence corroborating his or her own statement that establish:

1) The amount of the expense,
2) The time and place of the travel or use of the property, and
3) The business purpose of the expenditure.

To meet the adequate records requirements, a taxpayer must maintain an account book, a log, or other documentary evidence which, in combination, is sufficient to establish each element of an expenditure. While a contemporaneous log is not required, a taxpayer's subsequent reconstruction of his or her expenses does require corroborative evidence with a high degree of probative value to support such a reconstruction, in order to elevate that reconstruction to the same level of credibility as a contemporaneous record.

The taxpayer argued that her mileage expense deductions were incurred while driving between Fort Sam Houston, Lackland, and her home in connection with her ADFS duties. She contended the evidence establishes that her regular work location was Fort Sam Houston and that she performed a variety of ADFS related tasks on a temporary basis elsewhere.

The court found her mileage expense deduction was not supported by evidence meeting the strict substantiation requirements of IRC section 274(d). Her ledger did not establish a business purpose for any of her trips to and from her home and the various military bases where she allegedly performed her ADFS duties. Her ledger did not describe in detail sufficient under the circumstances the times, dates, and purposes of her reported mileage expenses. The ledger does not indicate that her costs to travel by car to various bases were exclusively for temporary ADFS duties rather than reimbursable medical facilitator duties. Thus, the taxpayer failed to demonstrate that her mileage expenses were in connection with un-reimbursable ADFS duties rather than her daily commute.

Note: While this case involved unreimbursed employee business expenses, the substantiation requirements also apply to self-employed individuals claiming mileage deductions. Contemporaneous records such as a log book must establish the date for each trip, the location for each trip, the miles driven for each trip, and a description of the business purpose for each trip. If the taxpayer is entitled to be reimbursed for certain expenses, the log book must also establish whether or not the expense for each trip is reimbursable.

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IRS Impersonation Scams

Cross References

- IR-2022-25, February 3, 2022

As the new year begins, the Internal Revenue Service reminds taxpayers to protect their personal and financial information throughout the year and watch out for IRS impersonation scams, along with other schemes, that try to trick people out of their hard-earned money.

These schemes can involve text message scams, e-mail schemes and phone scams. This tax season, the IRS also warns people to watch out for signs of potential unemployment fraud.

"With filing season underway, this is a prime period for identity thieves to hit people with realistic-looking emails and texts about their tax returns and refunds," said IRS Commissioner Chuck Rettig. "Watching out for these common scams can keep people from becoming victims of identity theft and protect their sensitive personal information that can be used to file tax returns and steal refunds."

The IRS, state tax agencies and the nation's tax industry, working together in the Security Summit initiative, have taken numerous steps since 2015 to protect taxpayers, businesses and the tax system from identity thieves. Summit partners continue to warn people to watch out for common scams and schemes this tax season.

Text Message Scams

Last year, there was an uptick in text messages that impersonated the IRS. These scams are sent to taxpayers' smartphones and have referenced COVID-19 and/or "stimulus payments." These messages often contain bogus links claiming to be IRS websites or other online tools. Other than IRS Secure Access, the IRS does not use text messages to discuss personal tax issues, such as those involving bills or refunds. The IRS also will not send taxpayers messages via social media platforms.

If a taxpayer receives an unsolicited SMS/text that appears to be from either the IRS or a program closely linked to the IRS, the taxpayer should take a screenshot of the text message and include the screenshot in an email to phishing@irs.gov with the following information:

- Date/time/time zone they received the text message.
- Phone number that received the text message.

The IRS reminds everyone NOT to click links or open attachments in unsolicited, suspicious or unexpected text messages, whether from the IRS, state tax agencies or others in the tax community.

Unemployment Fraud

As a new tax season begins, the IRS reminds workers to watch out for claims of unemployment or other benefit payments for which they never applied. States have experienced a surge in fraudulent unemployment claims filed by organized crime rings using stolen identities. Criminals are using these stolen identities to fraudulently collect benefits.

Because unemployment benefits are taxable income, states issue Form 1099-G, *Certain Government Payments,* to recipients and to the IRS to report the amount of taxable compensation received and any withholding. Any worker receiving a fraudulent or inaccurate 1099-G should report it to the issuing state agency and request a corrected Form 1099-G.

For details on how to report fraud to state workforce agencies, how to obtain a corrected Form 1099-G, how to find a list of state contacts and other steps to take related to unemployment fraud, taxpayers can visit the U.S. Department of Labor's DOL.gov/fraud page.

Individuals may be victims of unemployment identity theft if they received:

- Mail from a government agency about an unemployment claim or payment for which they did not file. This includes unexpected payments or debit cards and could be from any state.
- An IRS Form 1099-G reflecting unemployment benefits they weren't expecting or didn't receive. Box 1 on this form may show unemployment benefits they did not receive or an amount that exceeds their records for benefits they did receive. The form itself may be from a state in which they did not file for benefits.
- A notice from their employer indicating the employer received a request for information about an unemployment claim.

Email Phishing Scams

The IRS does not initiate contact with taxpayers by email to request personal or financial information. The IRS initiates most contacts through regular mail delivered by the United States Postal Service.

If a taxpayer receives an unsolicited email that appears to be from either the IRS or a program closely linked to the IRS that is fraudulent, report it by sending it as an attachment to phishing@irs.gov. The Report Phishing and Online Scams page at IRS.gov provides complete details.

There are special circumstances when the IRS will call or come to a home or business. These visits include times when a taxpayer has an overdue tax bill, a delinquent tax return or a delinquent employment tax payment. The IRS may also visit if it needs to tour a business as part of a civil investigation (such as an audit or collection case) or during a criminal investigation. The IRS provides specific guidance on how to know it's really the IRS knocking on your door.

Phone Scams

The IRS does not leave pre-recorded, urgent or threatening messages. In many variations of the phone scam, victims are told if they do not call back, a warrant will be issued for their arrest. Other verbal threats include law-enforcement agency intervention, deportation or revocation of licenses.

Criminals can fake or "spoof" caller ID numbers to appear to be anywhere in the country, including from an IRS office. This prevents taxpayers from being able to verify the true call number. Fraudsters also have spoofed local sheriff's offices, state departments of motor vehicles, federal agencies and others to convince taxpayers the call is legitimate.

The IRS (and its authorized private collection agencies) will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. The IRS does not use these methods for tax payments.
- Threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.
- Demand that taxes be paid without giving the taxpayer the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone.

Generally, the IRS will first mail a bill to any taxpayer who owes taxes. All tax payments should only be made payable to the U.S. Treasury and checks should never be made payable to third parties.

For anyone who doesn't owe taxes and has no reason to think they do:

- Do not give out any information. Hang up immediately.
- Contact the Treasury Inspector General for Tax Administration to report the call at IRS Impersonation Scam Reporting.
- Report the caller ID and/or callback number to the IRS by sending it to phishing@irs.gov (Subject: IRS Phone Scam).
- Report it to the Federal Trade Commission on FTC.gov. Add "IRS Telephone Scam" in the notes.

For anyone who owes tax or thinks they do:

- View tax account information online at IRS.gov to see the actual amount owed. Taxpayers can also review their payment options,
- Call the number on the billing notice, or
- Call the IRS at 800-829-1040. IRS employees can help.

Help for Victims of ID Theft

Unfortunately, scams and schemes can often lead to identity theft. While identity theft can have many consequences, the IRS focuses on tax-related identity theft.

Tax-related identity theft occurs when someone uses an individual's stolen Social Security Number (SSN) to file a tax return claiming a fraudulent refund. Taxpayers may be unaware of this activity until they e-file a tax return and discover that a return has already been filed using their SSN. Or, the IRS may send them a letter saying it has identified a suspicious return using their SSN.

If a taxpayer learns their SSN has been compromised, or they know or suspect they are a victim of tax-related identity theft, the IRS recommends these additional steps:

- Individuals should respond immediately to any IRS notice; call the number provided.
- Taxpayers should complete IRS Form 14039, *Identity Theft Affidavit,* if an e-file tax return rejects because of a duplicate filing under their SSN or they are instructed to do so by the IRS. Individuals can use a fillable form at IRS.gov, then print and attach the form to their paper return and mail according to instructions.
- Victims of tax-related identity theft should continue to pay their taxes and file their tax return, even if they must do so by paper.
- Taxpayers who previously contacted the IRS about tax-related identity theft and did not have a resolution should call for specialized assistance at 800-908-4490.

More information is available at: IRS.gov/identitytheft or the Federal Trade Commission's IdentityTheft.gov.

The official IRS website is IRS.gov. People should be aware of imitation websites ending in .com. This applies to other IRS tools, too, like Free File. They all end in .gov.

For more information, visit Tax Scams and Consumer Alerts on IRS.gov. Additional information about tax scams is available on IRS social media sites, including YouTube videos.

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