

July 24, 2023

Kaplan Financial Education

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IRS GLAM Indicates Agency's Skepticism Regarding Extended Supply Chain ERC Claims



IRS GLAM Indicates Agency's Skepticism Regarding Extended Supply Chain ERC Claims



- What's needed:
 - Specific government orders: Documentation that proves the existence of relevant government orders imposed on a supplier or business that affected the supply chain.
 - Issues caused for the supplier: Evidence illustrating how the government orders or other issues directly caused challenges for the supplier, forcing the supplier to suspend operations.

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IRS GLAM Indicates Agency's Skepticism Regarding Extended Supply Chain ERC Claims



- What's needed:
 - Inability to obtain critical supplies: Documentation indicating the employer's inability to procure critical and necessary supplies due to the issues faced by the supplier.
 - Impact on the employer's business: Clear documentation showcasing how these supply chain issues led to a full or partial suspension of the employer's own business operations.

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- Scenario 2 Port bottleneck
 - Supplies couldn't move out of port
 - Speculation on various causes, TV said might have been COVID-19 orders
 - Could not show a specific order, nor how it impacted shipments out of the port

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- Scenario 3 Disruption Past End of Order
 - Had order that shuttered both supplier and ERC applicant
 - Order concluded, but supply problems continued
 - Unable to claim past the date the order ceased to apply

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- Scenario 4 Alternative Supply Available at Higher Cost
 - Regular supplier was unable to provide critical supply
 - Alternate supplier supplied product, but at higher cost
 - Higher cost and lower profit are not a suspension

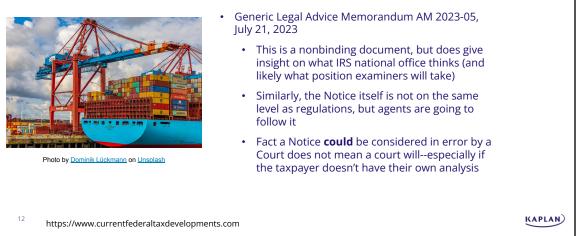
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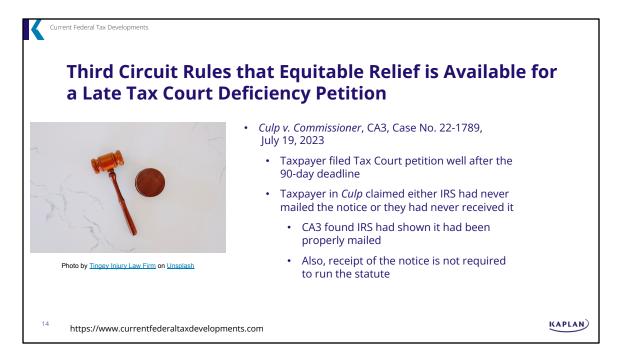


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Third Circuit Rules that Equitable Relief is Available for a Late Tax Court Deficiency Petition



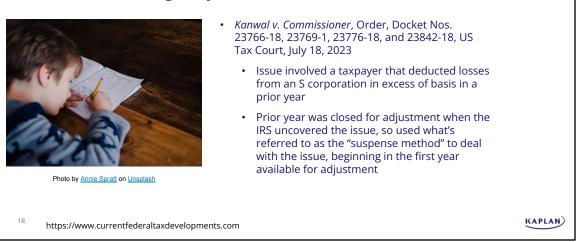




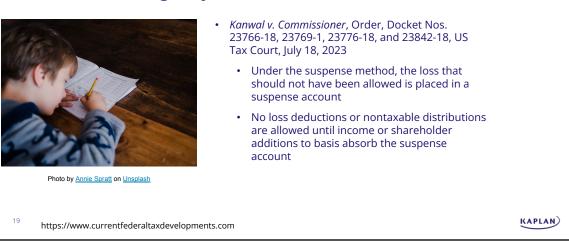
Current Federal Tax Developments Third Circuit Rules that Equitable Relief is Available for a Late Tax Court Deficiency Petition • Culp v. Commissioner, CA3, Case No. 22-1789, July 19, 2023 · However CA3 did concede in one sentence that the Ninth Circuit had disagreed on whether the context made it clear the limit was jurisdictional (Organic Cannabis Found., LLC v. Comm'r, 962 F.3d 1082, 1095 (9th Cir. 2019)) Under Golsen rule, this decision is binding on • the Tax Court in the Third Circuit (Pennsylvania, New Jersey, Delaware, and the Photo by Tingey Injury Law Firm on Unsplash U.S. Virgin Islands) 16 KAPLAN) https://www.currentfederaltaxdevelopments.com

Current Federal Tax Developments Third Circuit Rules that Equitable Relief is Available for a Late Tax Court Deficiency Petition • Culp v. Commissioner, CA3, Case No. 22-1789, July 19, 2023 • Outside the Third Circuit, the Tax Court will continue to rely on Hallmark (and it would appear, per the Golsen rule, might continue to do so in the Ninth Circuit even if the Tax Court were to accept the Third Circuit decision as persuasive) Note - even though Culp can ask for equitable • relief, it's not clear they will obtain such relief Photo by Tingey Injury Law Firm on Unsplash 17 KAPLAN) https://www.currentfederaltaxdevelopments.com

IRS to Be Required to Justify Suspense Account Method the Agency Uses for Certain Losses



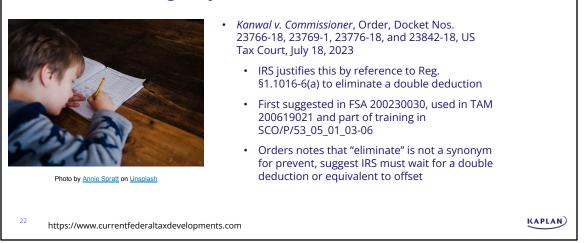
IRS to Be Required to Justify Suspense Account Method the Agency Uses for Certain Losses

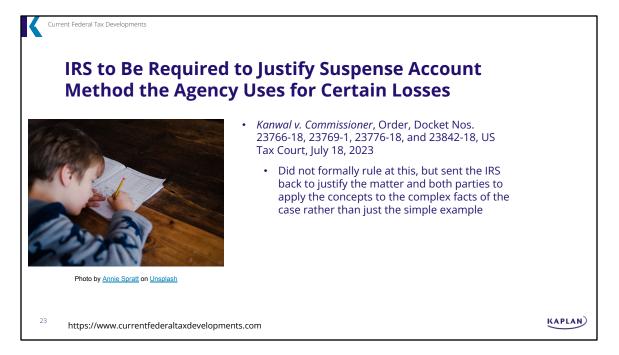


	S Corporation Income/Loss	Tax Return Income/Loss	Suspense Account	Basis Loss Carryover	Shareholder Basis
leginning basis - Year 1					
oss from S Corporation Year 1 (loss deducted though no basis)	(100)	(100)			
asis - Year 2			0	0	
oss Year 2 (Did Not Deduct - put in loss carryover	(100)	0	0	(100)	
IRS examines taxpayer and discovers problem in year 1 wh			-	ero by the loss	
In Year 3 the corporation showed \$100 of income. The For					
carryover.					

Income/LossIncome/LossAccountCarryoverBasisdeginning basis - Year 1oss from S Corporation Year 1 (loss deducted though no basis)(100)(100)(100)asis - Year 200000oss Year 2 (Did Not Deduct - put in loss carryover(100)00(100)asis - Year 300(100)0(100)add Suspense Account in First Open Year00(100)0						
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Jasis - Year 3 0 (100) dd Suspense Account in First Open Year (100) 0	Basis - Year 2			0	0	0
dd Suspense Account in First Open Year (100) 0	Loss Year 2 (Did Not Deduct - put in loss carryover	(100)	0	0	(100)	0
	Basis - Year 3			0	(100)	0
ncome Year 3 - Not allowed to use the loss 100 100 100 0	Add Suspense Account in First Open Year			(100)	0	0
	Income Year 3 - Not allowed to use the loss	100	100	100	0	0
basis Entering Year 4 0 (100)	Basis Entering Year 4			0	(100)	0
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IRS to Be Required to Justify Suspense Account Method the Agency Uses for Certain Losses





Taxpayer Must Include IRA Distributions in Income Even Though Triggered by a Fraud



Taxpayer Must Include IRA Distributions in Income Even Though Triggered by a Fraud



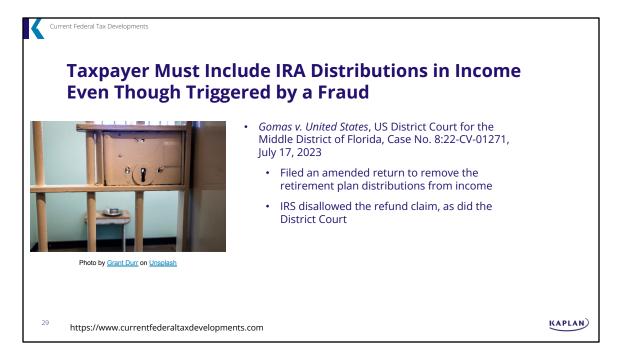
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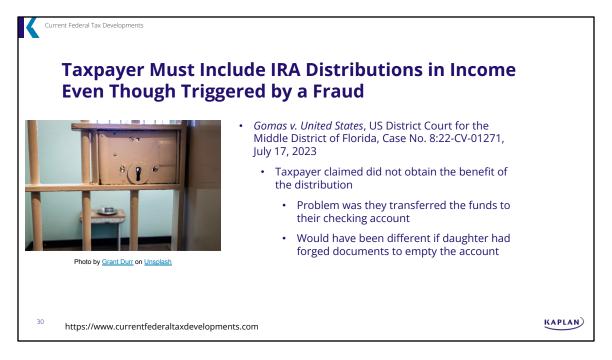


Taxpayer Must Include IRA Distributions in Income Even Though Triggered by a Fraud



Current Federal Tax Developments **Taxpayer Must Include IRA Distributions in Income Even Though Triggered by a Fraud** Gomas v. United States, US District Court for the Middle District of Florida, Case No. 8:22-CV-01271, July 17, 2023 • Turns out daughter turned to friends and family for other frauds (\$200,000)-but they got suspicious and determined she was fraudulently requesting funds Family informed parents two years after she • took all of the funds to drain his retirement account Photo by Grant Durr on Unsplash 28 KAPLAN) https://www.currentfederaltaxdevelopments.com





Taxpayer Must Include IRA Distributions in Income Even Though Triggered by a Fraud



