



# Current Federal Tax Developments

October 9, 2023

Kaplan Financial Education

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## **This Week We Look At:**

Sloppy records cost CPA the vast majority of his business deductions

IRS issues warning about art deduction tax promotions aimed at high-income taxpayers

IRS gives details on transfers of electrical vehicle credits to dealers beginning in 2024

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<https://www.currentfederaltaxdevelopments.com>



Sloppy records cost CPA the vast majority of his business deductions

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## Sloppy Records Cost Taxpayers Deductions, Especially if the Taxpayer is a CPA



- *Amundsen v. Commissioner*, TC Summary Opinion 2023-30, October 3, 2023
  - Schedule C for his tax practice showed gross receipts and then cost of goods sold that created a negative gross profit
  - Costs of goods sold only shown as “other costs”
  - Denied deduction for cost of goods sold (doesn’t exist there)
  - Allowed only \$6,238 of expenses

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<https://www.taxnotes.com/research/federal/court-documents/court-opinions-and-orders/cpa-didn%E2%80%99t-substantiate-deductions%2c-liable-for-penalty/7hdwk>



## Sloppy Records Cost Taxpayers Deductions, Especially if the Taxpayer is a CPA



- *Amundsen v. Commissioner*, TC Summary Opinion 2023-30, October 3, 2023
  - Travel expenses had no true substantiation, so lost all of those expenses
  - Denied home office deduction for what had 40% of their house
  - And got hit with accuracy related penalties

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## IRS Issues Warning About Abusive Art Deduction Promotions

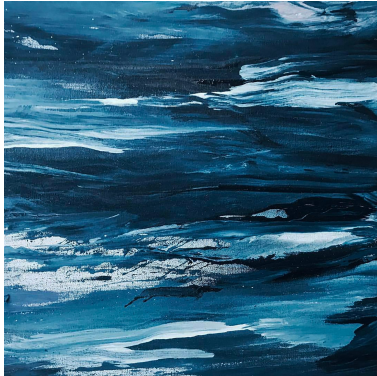


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- IR-2023-185, October 5, 2023
  - High income individuals are being approached with a tax deduction program that has them buy and then, after a year, donate art
  - Purchase art along with other services from the promoter
  - Donate the art after holding it for more than one year
  - Obtain an inflated valuation which will pay for the art purchase via tax savings

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<https://www.irs.gov/newsroom/irs-warns-taxpayers-of-improper-art-donation-deduction-promotions-highlights-common-red-flags>



## IRS Issues Warning About Abusive Art Deduction Promotions



Photo by [Henrik Dønnestad](#) on [Unsplash](#)

- IR-2023-185, October 5, 2023
  - In some schemes the promoter will suggest the taxpayer make annual donations of art (which require annual purchases)
  - Can arrange for charities to accept the donations

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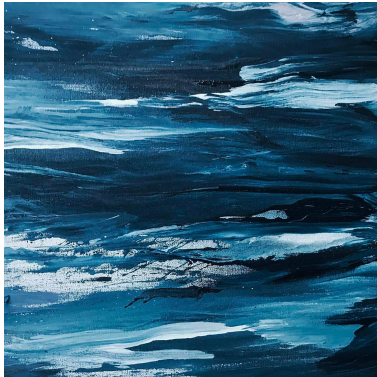


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- IR-2023-185, October 5, 2023
  - Warning flags
    - All art from the same artist with little or no market aside from the promoter
    - Lines up a specific appraiser the taxpayer is to use who performs a substandard appraisal
  - IRS warns both taxpayer and charities about these schemes

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<https://www.irs.gov/newsroom/irs-warns-taxpayers-of-improper-art-donation-deduction-promotions-highlights-common-red-flags>



## IRS Releases Proposed Regulations for EVs and Upcoming Dealer Transfers of EV Credit Program



Photo by Toa Hefliba via Unsplash+

- REG-113064-23, Revenue Procedure 2023-33, October 6, 2023
  - Proposed regulations give guidance on the program beginning in 2024
  - Buyers can assign the credit to the dealer in exchange for a price reduction or use as a down payment
  - Note that the buyer remains responsible to repay the amount if he/she doesn't meet the requirements (especially income)
  - Applies to both the new and used vehicle credit

<https://www.taxnotes.com/research/federal/proposed-regulations/proposed-regs-address-transfers-of-clean-vehicle-credits/7hf2h>  
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- REG-113064-23, Revenue Procedure 2023-33, October 6, 2023
  - Special anti-abuse rules
    - Credit recaptured if sale is cancelled, returned or resold
    - Taxpayer must file an income tax return for the year vehicle is placed in service
    - No double benefit rule - basis of the vehicle is reduced by the credit
  - Regulation would apply to sales after December 31, 2023

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- REG-113064-23, Revenue Procedure 2023-33, October 6, 2023
- Revenue Procedure provides details of how the credit will work
  - Dealer must register under provisions in the procedure
  - Dealer must give buyers certain disclosures

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  - Buyer must certify either
    - Met the income limits for the previous tax year or
    - Expects to meet them in the current year
  - Election must be made at or before the time the sale takes place

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