



Current Federal Tax Developments

February 26, 2024

Kaplan Financial Education



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This Week We Look At:

More BOI resources from CAMICO made available by NJCPA

District Court refuses to stay FBAR proceeding to await Tax Court result partially due to the age of the taxpayer

IRS announces program to go after corporate jet personal usage

The state of Arizona sues the IRS over tax status of state tax rebate.

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<https://www.currentfederaltaxdevelopments.com>





NJCPA Publishes Link to CAMICO BOI Resources

- “CAMICO Provides BOI Coverage FAQs and BOI Resources,” NJCPA website, February 20, 2024
 - 8 page FAQ that discusses basics of BOI reporting, the risk of UPL and how certain engagements would not involve legal advice or legal interpretation of facts and circumstances would not present UPL risk
 - Text of the engagement letters for
 - Filing only of the initial BOI report
 - Limited CTA advisory services - filing of the BOI report
 - Client notification letter
 - Article notes that NJCPA has a request in to the New Jersey Supreme Court’s Committee on the Unauthorized Practice of Law which could provide the first at least somewhat official word from a state on this matter

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<https://www.njcpa.org/article/2024/02/20/camico-provides-clarification-on-boi-coverage>

District Court Refuses to Stay FBAR Case Partially Related to Age of Taxpayer and Witnesses



Photo by [Jon Tyson](#) on [Unsplash](#)

- *United States v. Galliani, et al*, USDC ND Calif., Case No. 3:22-cv-03365, February 20, 2024
 - In 2022, the US filed an FBAR case against Mr. and Mrs. Galliani for 2013-2016
 - Alleges had a complex set of offshore structures for which they held a financial interest in or signatory over various accounts
 - Cases in discovery with a trial date set for February 24, 2025

<https://www.taxnotes.com/research/federal/court-documents/court-opinions-and-orders/pending-tax-court-case-doesnt-justify-stay-district-court-says/7j7lw>

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 - IRS started a related income tax exam in 2016, issued a notice of Deficiency in September 2023 covering 2000-2003 and 2005-2016
 - Argued had sham transactions with the entities that are also the subject of the FBAR case
 - Filed a petition with the Tax Court in November 2023
 - Asks to stay the FBAR District Court case pending the resolution of the Tax Court case

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- *United States v. Galliani, et al*, USDC ND Calif., Case No. 3:22-cv-03365, February 20, 2024
 - To prevail in the stay request, the court weighs
 - Possible damage that may result if a stay is granted
 - Hardship on requiring the requesting party to move forward
 - Orderly course of justice - impact of stay
 - If there is a fair possibility that a stay could damage someone else, must show clear case of hardship or inequity in being required to go forward

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- *United States v. Galliani, et al*, USDC ND Calif., Case No. 3:22-cv-03365, February 20, 2024
- Court finds a fair possibility of harm to the government from a stay
 - Taxpayer is age 88, wife passed away during the course of the trial and other witnesses also are old
 - Points out that the Tax Court is in its early stages and, despite taxpayer's assurance to attempt to move quickly, could be delayed by a number of things, including an appeal of the decision to the Ninth Circuit

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 - Taxpayer also fails to show a clear case of hardship or inequity
 - Does not address how moving forward with discovery would cause hardship
 - Also notes that this case should be paused, given that this case is much further along and the Tax Court case deals with a number of chronologically earlier issues

<https://www.taxnotes.com/research/federal/court-documents/court-opinions-and-orders/pending-tax-court-case-doesnt-justify-stay-district-court-says/7i7lw>

IRS Announces Exams Concentrated on Corporate Jets



Photo by [Yaroslav Muzychenko](#) on [Unsplash](#)

- “IRS begins audits of corporate jet usage; part of larger effort to ensure high-income groups don’t fly under the radar on tax responsibilities,” IRS News Release IR 2024-46, February 21, 2024
 - Focused on jet usage by large corporations, large partnerships and high-income taxpayers
 - Looking for proper allocation between business and personal reasons
 - Records obviously will be key in such examinations
 - Will also look to see if proper income inclusion is taking place

<https://www.irs.gov/newsroom/irs-begins-audits-of-corporate-jet-usage-part-of-larger-effort-to-ensure-high-income-groups-dont-fly-under-the-radar-on-tax-responsibilities>



Taxable Status of State Tax Rebate Payment Challenged in Court



Photo by [Moritz Knöringer](#) on [Unsplash](#)

- *Arizona v. IRS*, US DC Ariz., Complaint, February 21, 2024
 - Issue involves Arizona Families Tax Rebate and whether it is subject to federal tax
 - Had ruled similar programs in 2022 did qualify, either as excluded disaster assistance payments under IRC §139 or under the general welfare rule
 - IRS position for this and some other 2023 rebates was that they could not qualify for §139 exclusion and the terms did not make them general welfare payments

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<https://www.azag.gov/sites/default/files/2024-02/2024-02-21%20Complaint%20-%20Arizona%20v.%20IRS.pdf>

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- *Arizona v. IRS*, US DC Ariz., Complaint, February 21, 2024
 - IRS position
 - COVID-19 pandemic emergency declared over in spring 2023, rebate paid out in October 2023, so §139 couldn't apply
 - Program was not aimed at low income need
 - Payments didn't phase out until \$400,000/\$200,000
 - Had to have a tax liability to get any rebate (though just \$1 was enough)

<https://www.azag.gov/sites/default/files/2024-02/2024-02-21%20Complaint%20-%20Arizona%20v.%20IRS.pdf>

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- *Arizona v. IRS*, US DC Ariz., Complaint, February 21, 2024
 - IRS position
 - Not an income tax refund, as the payments weren't limited to the tax paid by the individual
 - The State of Arizona filed suit, challenging the IRS position
 - Could impact other states that enacted programs that paid out in 2023 (payments made in 2023 related to 2022 programs are already exempted from tax for the most part by the IRS)

<https://www.azag.gov/sites/default/files/2024-02/2024-02-21%20Complaint%20-%20Arizona%20v.%20IRS.pdf>

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