2016 Post-Filing Season Update

April 20, 2016

Special Report

HIGHLIGHTS

- More ACA Guidance Issued
- Code Sec. 280F Depreciation Limits Released
- Auto/Truck Fair Market Value Amounts Posted
- Updated Collection Financial Standards Unveiled
- IRS Beefs-Up Cybersecurity
- IRS Plans Guidance For Repeal Of TEFRA Audit Regime
- President Makes Numerous Tax Proposals
- Congress Holds Tax Reform Hearings
- More FATCA Guidance Released

INSIDE

Filing Season Guidance, Legislation, Court Decisions Impact Taxpayers Of All Types

The end of the 2016 filing season finds many tax practitioners needing to catch up on a long list of new developments that have taken place since January 1, 2016, especially those developments with an immediate impact on what taxpayers do next. Key items include guidance and new rules involving the Affordable Care Act, FATCA, partnerships, corporations, pension and retirement plans, exempt organizations, and more. Treasury and the IRS also started rolling out guidance under the Protecting Americans from Tax Hikes Act of 2015 (PATH Act), passed at year-end 2015 with significant impact on 2016 and beyond. At the same time, Treasury and IRS officials previewed important guidance due out over the next several months. And the Tax Court and federal district and appellate courts issued a number of important tax decisions.

IMPACT. *Congress was active during the filing season. Lawmakers increased a return penalty and debated further extensions of energy extenders, along with taking a close look at cybersecurity at the IRS. Tax writers in the House and Senate have renewed interest in tax reform. In April, House Ways and Means Chair Kevin Brady, R-Texas, predicted that the committee would release a blueprint for tax reform before July 4th that would offer to jump-start major changes, with focus on international tax laws in particular. How much traction Brady's blueprint will get, if any, is debatable in a presidential election year … but its probable impact, post-election, cannot be ignored.*

COMMENT. *IRS customer service reached historic lows during the prior 2015 filing season. Commissioner John Koskinen has predicted that customer service levels will rise to around 50 percent for all of fiscal year (FY) 2016, still abysmal to many on Capitol Hill, as well as to the National Taxpayer Advocate.*

AFFORDABLE CARE ACT

The Affordable Care Act continues to generate many compliance-related issues affecting both individuals and businesses. The IRS issued guidance in a number of ACA-related areas during the filing season, while ACA-related litigation on key provisions appeared to have lessened.

Information Reporting

In late 2015, the IRS announced in Notice 2016-4 an automatic extension of filing deadlines for certain 2015 information returns under the Affordable Care Act (ACA). The extension affected Code Sec. 6055 reporting by insurers, self-insuring employers and other providers of minimum essential coverage and Code Sec. 6056 reporting by applicable large employers (ALEs).

IMPACT. *Notice 2016-4 extended the due date for furnishing to individuals 2015 Form 1095-B, Health Coverage, and 2015 Form 1095-C, Employer Provided Health Insurance Offer and Coverage, from February 1, 2016, to March 31, 2016; and for filing with the IRS 2015 Form 1094-B, Transmittal of*

Health Coverage Information Returns, the 2015 Form 1095-B, Health Coverage, 2015 Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, and 2015 Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, from February 29, 2016, to May 31, 2016, if not filing electronically, and from March 31, 2016, to June 30, 2016 if filing electronically.

Small Businesses

Many small employers continue to wait for guidance about the application of market reforms under the ACA to health premium payment plans. Transition relief expired in 2015.

COMMENT. *Bipartisan legislation has been introduced in the House and Senate (Small Business Health Care Relief Act, HR 2911; Sen. 1697) to provide permanent relief for small employers. Under the legislation, small employers (employers with fewer than 50-full-time and full-time equivalent employees) would be able to have stand-alone HRAs and reimburse expenses without violating the ACA's market reforms.*

Student Health Coverage Arrangements

The IRS announced transition relief regarding market reforms under the ACA to student health coverage arrangements in February (Notice 2016-17). Schools will not be penalized if the arrangement is offered in connection with other student health coverage (insured or self-insured) for a plan year or policy year beginning before January 1, 2017

IMPACT. *Because some students perform services for their school, questions have arisen if student health coverage arrangements might be employer-sponsored health plans, and, as a result, could be treated as employment payment plans that violate the ACA's market reforms.*

Code Sec. 45R Credit

Small employers with no more than 25 full-time equivalent employees may qualify for a special tax credit to help offset the cost of health insurance for their employees. The employer must pay average annual wages of no more than $50,000 per employee (indexed for inflation) and maintain a qualifying health care insurance arrangement. In March, a House committee reported that the number of small employers taking advantage of the credit is far behind expectations.

> "Key items include guidance and new rules involving the Affordable Care Act, FATCA, partnerships, corporations, pension and retirement plans, exempt organizations, and more."

Code Secs. 36B and 5000A

The IRS updated the applicable percentage table used to calculate an individual's premium tax credit under Code Sec. 36B and required contribution percentage under Code Sec. 5000A (individual shared responsibility) for plan years beginning after 2016 (Rev. Proc. 2016-24). For plan years beginning in 2017, those amounts as indexed are 9.69 percent and 8.16 percent, respectively.

Summary of Benefits and Coverage

Treasury and the U.S. Departments of Health and Human Services (HHS) and Labor (DOL) updated the Summary of Benefits and Coverage (SBC) template and Uniform Glossary in April. The ACA generally requires health plans to provide a brief summary of coverage and cost sharing to employees.

INDIVIDUALS

The IRS issued guidance on offers-in-compromise, estate taxation and more for individuals during the filing season.

Interest Rates

The IRS issued corrections to its earlier release of IR-2016-41 and Rev. Rul. 2016-6, which provide the interest rates for the second quarter of the calendar year, beginning April 1, 2016. Originally, the IRS reported that interest rates would remain unchanged. This was incorrect. Interest rates increased by one percentage point in all instances, the first increase since third quarter 2011. The corrected rates are as follows:

- 4 percent for overpayments, other than corporations;
- 3 percent for overpayments by corporations (except 1.5 percent of the portion of a corporate overpayment exceeding $10,000)
- 4 percent for underpayments (except large corporations); and
- 6 percent for large corporation underpayments.

Offers-in-Compromise

An offer-in-compromise (OIC) is an agreement between the taxpayer and the agency that settles a tax debt for less than the full amount owed. The IRS posted in March the 2016 version of the Form 656 Booklet, Offer in Compromise, describing how to apply for an offer-in-compromise (OIC) and what criteria are used to measure acceptance of any OIC.

Collection Financial Standards

Collection financial standards are used to help determine a taxpayer's ability to pay a delinquent tax liability, beyond which the IRS must accommodate collection alternatives to direct and immediate collection. The IRS posted updated collection financial standards on its website in March.

IMPACT. *For 2016, the updated Allowable Living Expense (ALE) national* *standard for food is $307 per month for one individual and is $583 per month for two individuals. For 2016, the national standard for out-of-pocket health care costs in addition to the amount taxpayers pay for health insurance is $54 per month for individuals under age 65 and $130 per month for individuals age 65 and older.*

IMPACT. *Although the Federal Reserve backed off on increasing interest rates recently because of the disruption in the financial markets caused by the sudden drop in oil prices, consensus is that interest rates will rise soon. This presents "one last chance" to implement tax strategies, particularly in the estate planning area, that rely on low current rates.*

Tax Basis From Estates

The IRS issued temporary and proposed reliance regulations on the requirement that a recipient's basis in certain property acquired from a decedent be consistent with the value of the property as finally determined for estate tax purposes in March (TD 9757, NPRM REG-127923-15). The Surface Transportation and Veterans Health Care Act of 2015 created the new requirement to prevent heirs from benefitting from a low estate tax value while claiming a higher value from what was received for purposes of selling the inherited asset years later.

IMPACT. *The IRS postponed several times the initial reporting deadline for executors of estates to report the value of property included in the estate, due to the administrative burden placed on some executors. The due date for furnishing statements to the IRS and to estate tax beneficiaries is now June 30, 2016. The extension applies to estate tax returns filed after July 31, 2015.*

BUSINESSES

IRS guidance and court decisions impacted business taxation during the filing season, pointing to strategies available for the remainder of 2016 and going forward.

Depreciation Limits

The IRS released in April inflation-adjusted Code Sec. 280F depreciation limits for business automobiles, light trucks and vans placed in service in 2016 (Rev. Proc. 2016-23). For vehicles for which bonus depreciation is allowed, the first-year depreciation limit is $8,000 higher than the general non-bonus depreciation limits.

IMPACT. *The maximum depreciation limits under Code Sec. 280F for passenger automobiles first placed in service during the 2016 calendar year are: $3,160 for the first tax year; $5,100 for the second tax year; $3,050 for the third tax year; and $1,875 for each succeeding tax year. For passenger automobiles for which bonus depreciation rules apply, the first-year limitation is $11,160. The maximum depreciation limits for trucks and vans are slightly higher.*

IMPACT. *Several depreciation options in general need to be considered for 2016, based upon 2015 year-end legislation (the PATH Act). Bonus depreciation stays at the 50-percent level through 2017, then is phased down to 40 percent in 2018, 30 percent in 2019, and finally to zero starting in 2020 (with a year's delay for certain longer-lived and transportation property).*

Section 179 Expensing

Even more attractive than bonus depreciation for many businesses as the result of the PATH Act is the availability of enhanced Section 179 expensing. The PATH Act permanently sets the Code Sec. 179 expensing limit at $500,000 with a $2 million overall investment limit before phase out (both amounts indexed for inflation beginning for tax years after 2015). The IRS announced that the inflation adjustment for 2016 calls for no increase in the $500,000 amount, but an increase to $2,010,000 in the investment limitation.

COMMENT. *The PATH Act also removes the $250,000 cap related to qualified real property for tax years beginning after December 31, 2015. Some businesses may want to take advantage of this "first-time" opportunity starting in this year.*

Auto/Truck FMV Amounts

In February, the IRS issued the maximum fair market value (FMV) amounts that designate the proper valuation rule for employers calculating fringe benefit income from employer-provided automobiles, trucks, and vans first made available for personal use in 2016 (Notice 2016-12, Rev. Proc. 2016-14). The maximum 2016 FMV amounts for use of the cents-per-mile valuation rule are $15,900 for a passenger automobile (down from $16,000 for 2015); and $17,700 for a truck or van, including passenger automobiles that are minivans and sport utility vehicles built on a truck chassis.

COMMENT. *SUVs and similar vehicles with a GVWR greater than 6,000 pounds are exempt from this limitation.*

Inversions

In April, Treasury and the IRS issued temporary, final and proposed regulations to impose further limits on corporate inversions, especially transactions designed to avoid anti-inversion rules issued in 2014 and 2015 (TD 9761, NPRM REG-135734-14, TDNR JL-10404, 10405, 10406). The areas covered by the regulations include: multiple step acquisitions of property of a U.S. entity; acquisitions of multiple domestic entities (the serial inverter rules); and application of the substantial business activities test.

At the same time, the IRS issued proposed regulations under Code Sec. 385 that would target earnings stripping transactions by re-characterizing debt between certain related parties as stock (NPRM REG-108060-15).

IMPACT. *These Section 385 regulations have an immediate impact on corporate transactions despite being "proposed." The regulations carry an effective date that reaches back to debt created on or after April 4, 2016 (after the date the proposed regulations were sent to the Federal*

Register), with only a 90-day window to dispose of any such debt after final regulations are issued -- a time period considered much too short for many corporations.

WOTC

The IRS posted in March an updated Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credit (WOTC), and Instructions, to reflect the PATH Act. Employers use Form 8850 to pre-screen and to request certification of an individual as a member of a targeted group

COMMENT. *The PATH Act extends the WOTC through 2019 for qualified employers that hire members of a targeted group. The PATH Act also added qualified long-term unemployment recipients to the roster of targeted groups, effective January 1, 2016.*

Tax Shelters

The U.S. Supreme Court declined in March to review three tax shelter cases, including two involving the Structured Trust Advantaged Repackaged Securities (STARS) tax shelter. In each case, a federal court of appeals had concluded that the transaction lacked economic substance and the taxpayer was not entitled to claim foreign tax credits. The Supreme Court denied certiorari in the following cases: *Bank of New York Mellon (BNY), CA-2, September 9, 2015, 2015-2 ustc ¶50,473; American International Group, Inc. (AIG), consolidated opinion with Bank of New York Mellon; and Salem Financial Inc. (Salem), CA-FC, May 14, 2015, 2015-1 ustc ¶50,304.*

PARTNERSHIPS

The IRS continued to develop guidance related to repeal of the TEFRA audit regime. Additional rules are expected throughout 2016. With partnerships now being the entity-of-choice for many more businesses, the IRS is expected to give partnerships greater attention, both for guidance and for audit coverage.

TEFRA Repeal

The IRS requested comments in March on the new partnership audit regime following repeal of the TEFRA and electing large partnership (ELP) rules in the Budget Control Act of 2015 (Budget Act) (Notice 2016-23). The Budget Act repeals the TEFRA and electing large partnership rules and replaces it with a streamlined structure for auditing partnerships and their partners at the partnership level.

> "Tax writers in the House and Senate have a renewed interest in tax reform…"

IMPACT. *Elimination of TEFRA repeals a decades-old audit regime. The IRS has indicated that it intends to carefully move forward with implementation of the new streamlined structure for auditing partnerships. Many taxpayers have complained that the enabling legislation was incomplete and that effective planning cannot take place until the IRS fills in many details.*

IMPACT. *The 2015 Budget Act delays the effective date of the audit rules for returns filed for partnership tax years beginning after 2017. However, subject to certain exceptions, partnerships may choose to apply the new regime to any partnership tax year beginning after the date of enactment, November 2, 2015. The IRS advised taxpayers to delay making the election to apply the new audit rules to tax years beginning after November 2, 2015 until guidance is issued on the election. At press time, that guidance has not been released.*

Anti-Loss Importation Rules

The IRS issued final anti-loss importation rules in March (TD 9759). The final rules do not make significant changes to proposed regulations issued in 2013, although clarifications were made. The IRS declined to make changes to look-through rules for applying the loss-importation rules to grantor trusts, partnerships, and S corporations.

IMPACT. *The final regs apply to transactions occurring on or after March 28, 2016, unless completed under a binding agreement in effect before that date and all times afterwards. The regs also apply to transactions before that date that result from entity classification elections made under Reg. §301.7701-3 that are made on or after that date. Taxpayers may also choose to apply the final regs to any transaction occurring after October 22, 2004.*

ACCOUNTING METHODS

Form 3115

The IRS issued in March a revised Form 3115, Application for Change in Accounting Method, for taxpayers to request agency consent to any change in method of accounting (Ann. 2016-14). To provide a transition to the new form, the IRS requested taxpayers to start using the revised form immediately, but would not mandate that taxpayers use the revised form until April 20, 2016, unless use of the revision is specifically required in guidance.

RETIREMENT PLANS

During the filing season, a number of guidance items impacted pension and retirement plans, as warnings in general persist that many Americans are not saving enough for a comfortable retirement.

Safe Harbor Plans

In January, the IRS provided guidance on permissible mid-year changes to safe harbor plans (Notice 2016-16). A mid-year change to a safe harbor plan (or to a plan's safe harbor notice) would not violate the safe harbor rules merely because it is a mid-year change, provided that notice and election conditions are met and the change is not prohibited.

COMMENT. *Employers with safe harbor plans generally do not have to perform certain annual nondiscrimination tests that apply to traditional plans. Generally, plan sponsors may choose one of two safe harbor plan designs. Certain notice requirements also apply to safe harbor plans.*

Government Plans

The IRS issued proposed reliance regulations in January for governmental plans to determine normal retirement age (NRA) under Code Sections 401 and 411 (NPRM-REG-147310-12). The regulations address the requirement that a plan pay definitely determinable benefits at NRA.

Closed Plans

The IRS released in January proposed regulations to provide nondiscrimination relief for certain closed pension plans and formulas (NPRM REG-125761-14). The IRS subsequently withdrew certain design provisions in April (Ann. 2016-16).

IRAs

The Tax Court found in *McGaugh, TC Memo. 2016-28*, that a taxpayer was a mere "conduit" of IRA funds used to purchase stock for the account and did not receive a taxable distribution. The taxpayer was not a payee or distributee of any amount and the 60-day rollover rule did not apply. Money received as a mere agent or conduit is not includible in gross income, the court observed.

The Court of Federal Claims in *Powell, March 16, 2016* rejected a married couple's claim that they had rolled over an IRA distribution into a so-called Business Owner Retirement Savings Account (BORSA). The court found that the purported BORSA was a variation of a Rollover as Business Startup account (ROBS). While the court ruled against the rollover because of flaws in the account being rolled over, it added that the IRS views a ROBS as a questionable, but not necessarily abusive, mechanism for individuals to roll retirement funds into a new business.

EXEMPT ORGANIZATIONS

Applications For Tax Exempt Status

The Sixth Circuit Court of Appeals found in *NorCal Tea Party Patriots, March 22, 2016*, that the names, addresses, and taxpayer identification numbers of applicants for tax-exempt status do not constitute "return information" under Code Sec. 6103(b)(2)(A). An application for tax-exempt status is not a return as that term is used in the definition of a taxpayer's identity, according to the court.

Reporting

In January, the IRS withdrew proposed regulations providing an optional reporting procedure for donees to substantiate certain charitable contributions (NPRM REG-138344-13, Withdrawal). The proposed regulations would have implemented the statutory exception to the contemporaneous written acknowledgment requirement for substantiating charitable contribution deductions of $250 or more.

IMPACT. *Many charitable organizations expressed concerns over the reporting of Social Security Numbers from individual donors.*

Social Welfare Organizations

In January, the IRS issued interim guidance on Code Sec. 506, which generally requires social welfare organizations to notify the agency that they are operating as Code Sec. 501(c)(4) organizations (Notice 2016-9).

INTERNATIONAL

In the international area, the IRS issued more guidance under Foreign Account Tax Compliance Act (FATCA) in its campaign to stop offshore tax evasion.

FATCA

The IRS issued final regulations under Code Sec. 6038D in February that require "specified domestic entities" to report their interests in specified foreign assets under

PLANNING FOR BENEFITS FROM LAW CHANGES EFFECTIVE JANUARY 1, 2016

While many practitioners were focused during the tax preparation and filing season on the 2015 tax year -- including year-end legislation that retroactively changes some rules for 2015 -- attention should also be paid to those changes that did not take place retroactively. These new-for-2016 changes largely, but not exclusively, include enhancements or other modifications to certain "extenders" in the Protecting Americans from Tax Hikes Act of 2015 (PATH Act). Key incentives that contain 2016 modifications include provisions within:

- Bonus depreciation;
- Code Sec. 179 expensing;
- Work Opportunity Tax Credit (WOTC);
- Research Tax Credit;
- Special expensing for film/television/live theatrical productions;
- Activated military reservists employer credit;
- Treatment of certain timber gain;
- Teachers' classroom expense deduction;
- Exclusion from gross income of discharges of acquisition indebtedness on principal residences; and
- Code Sec. 25C residential energy property credit.

FATCA (TD 9752). The reporting requirements apply to a domestic corporation or partnership that satisfies two conditions: (1) The entity is closely held by a specified individual; and (2) At least 50 percent of the entity's gross income is passive income, or 50 percent of its assets are assets that produce passive income.

IMPACT. *The rules for specified domestic entities are effective for tax years that begin after December 31, 2015.*

In January, the IRS provided relief to foreign financial institutions (FFIs) for several reporting requirements under FATCA, such as certifications for preexisting accounts (Notice 2016-10). The IRS also provided relief to withholding agents under Chapter 3 of the Tax Code for relying on certain electronic withholding forms.

FBAR

Treasury's Financial Crimes Enforcement Network (FinCEN) issued proposed regulations in March that would exempt holders of signature authority over foreign financial accounts from having to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (known as the "FBAR") in most circumstances, provided they have no financial interest in the account. The proposed regulations make another significant change by eliminating rules that currently limit the information that must be reported by filers with 25 or more foreign financial accounts.

COMMENT. *The deadline for most FBAR returns is June 30 for 2016 reporting on 2015 tax year accounts. For the 2017 filing on 2016 tax year accounts, the deadline permanently shifts to April 15.*

COMMENT. *FinCEN Notice 2015-1 extended the due date for filing FBARs by certain individuals with signature authority over, but no financial interest in, foreign financial accounts of their employer or a closely related entity, to April 15, 2017.*

TAX LEGISLATION

President Obama released a host of tax proposals in February as part of his FY 2017 budget. The House Ways and Means Committee and the Senate Finance Committee held a number of hearings about tax reform during the filing season.

President Obama's Tax Proposals

President Obama proposed a mix of old and new tax measures, which, if enacted, would generate some $2.8 trillion in revenue over the next 10 years. The tax measures included revisions to the Affordable Care Act's net investment income (NII) tax and excise tax on high-cost health insurance plans, a new oil fee to fund infrastructure investments, a new community college partnership tax credit, and a package of business and international tax reforms. President Obama also urged Congress to increase the IRS's operating budget.

IMPACT. *Although some observers were quick to dismiss the President's proposals as DOA, some of the revenue raisers could be used to offset future spending in other areas. This happened in 2015 when Congress used a number of revenue raisers to pay for a multi-year highway bill and a trade bill.*

Penalty Legislation

In March, President Obama signed the Trade Facilitation and Trade Enforcement Act of 2015 (Trade Act), which includes an increase in the penalty for failure to file a return. For taxpayers who fail to file their returns more than 60 days after the due date or extended due date, the Trade Act increases the minimum penalty from not less than the lesser of $135 or 100 percent of the amount required to be shown as tax on such return to the lesser of $205 or 100 percent of the amount required to be shown as tax on such return.

IMPACT. *The increase in the penalty is effective for returns required to be filed in calendar years after 2015.*

Pending Legislation

The House Ways and Means Committee approved in March a bill (HR 4722), which would require that taxpayers claiming the refundable portion of the child tax credit provide a Social Security number (SSN) for the taxpayer or spouse (for a joint return) on their tax return. Another bill approved by the committee (HR 4723) would require that taxpayers who received the advance Code Sec. 36B premium assistance tax credit, and who are later found to owe an excess credit, must repay the full amount of the excess credit to the IRS.

VARIETY OF TAX REFORM PROPOSALS INTRODUCED IN CONGRESS

During the filing season, House and Senate tax writers looked into tax reform. A variety of bills have been proposed, including:

- The American Business Competitive Bill of 2015 (HR 4437), which would tax business based on its actual cash-flow instead of its income.
- The Flat Tax Bill (HR 1040), which would give individuals the choice to opt in to a 17-percent flat tax and to be taxed on a cash-flow basis for business activities.
- The Fair Tax Bill of 2015 (HR 25), which would repeal most federal taxes and replace them with a national sales tax on gross payments of taxable property or services.
- The Tax Code Termination Bill (HR 27), which sets an expiration date of December 31, 2019, for the Internal Revenue Code and terminates the Code after that date.

COMMENT. *At press time, the House is expected to approve several IRS oversight bills. These include HR 4890, which would prohibit payment of any bonus, award or other similar cash payment to any IRS employee until the agency develops a comprehensive strategy for customer service and submits the plan to Congress, and HR 4885, which provides that the proceeds of user fees collected by the IRS would no longer be available to the agency without appropriation.*

Aviation Taxes

President Obama signed the short-term Airport and Airway Extension Act of 2016 on March 30. The bill extends certain aviation-related taxes through mid-July 2016, including the domestic passenger ticket tax, domestic flight segment tax, certain taxes on international arrivals and departures and others.

TAX ADMINISTRATION

Cybersecurity and protecting taxpayer information were under intense focus during the filing season.

Ruling Requests, User Fees

At the start of 2016, the IRS issued its annual revisions to the general procedures for ruling requests, technical advice memoranda (TAM), determination letters, and user fees, as well as areas on which the Office of Chief Counsel will not rule (Rev. Proc. 2016-1 through Rev. Proc. 2016-8).

Cybersecurity

In February, the IRS announced that hardware failure resulted in the temporary shutdown of Modernized e-File (MeF) and some online applications. The shutdown lasted approximately 24 hours.

COMMENT. *The IRS has repeatedly emphasized that its basic systems have not been breached by cybercriminals. However, the agency's Get Transcript app was breached last year, the agency has acknowledged.*

Delivery Services

The IRS updated in April its list of designated private delivery services that taxpayers may use to submit documents to the agency to qualify for the "timely-filed, timely-mailed" rule (Notice 2016-30). The IRS added eight new delivery services.

Payment Options

The IRS announced in April a new payment option for individuals who pay their income taxes in cash (IR-2016-56). The IRS has partnered with ACI Worldwide's Officialpayments.com and the PayNearMe Company to allow individuals to make cash payments at participating 7-Eleven stores.

Private Tax Collection

The Fixing America's Surface Transportation Act of 2015 (FAST Act) requires the IRS to contract with private collection agencies to work some taxpayer accounts. In January, IRS Commissioner John Koskinen said that the agency would not be able to implement the program until later in 2016.

LOOKING AHEAD

In coming weeks and months, Treasury and the IRS are expected to issue guidance on a number of high-profile projects.

Partnerships

The Bipartisan Budget Act of 2015 repealed the TEFRA regime and substituted a more streamlined audit process. IRS Chief Counsel William Wilkins indicated in March that the agency is welcoming comments on the change and is drafting guidance.

Multiemployer Pension Plans

The IRS continues to develop guidance to implement the Multiemployer Pension Reform Act of 2014 (MPRA). The agency held a hearing in March and officials indicated that more guidance is in the pipeline about various provisions of the MPRA.

COMMENT. *The MPRA generally allows a plan sponsor to reduce the pension benefits payable to plan participants and beneficiaries if certain conditions and limitations are satisfied. One condition is that the plan is in critical and declining status.*

Exempt Organizations

In March, Acting IRS Exempt Organizations Director Margaret Von Lienen described how the Tax-Exempt/Government Entities Division (TE/GE) has begun building its own knowledge management system to collect, organize and share expertise among employees. In addition, TE/GE has adopted risk-management tools.

IRS Future State

The IRS is developing a blueprint for the future, known as the Future State Initiative. The plan is expected to help the Service adapt to the changing needs of taxpayers and the tax community. As part of this plan, the IRS wants to create secure individual online accounts through which taxpayers could obtain information and communicate with the IRS, including responding to notices, providing documentation and filing amended returns.

COMMENT. *National Taxpayer Advocate Nina Olson has expressed concern about the Future State plan. Olson characterized the combination of reductions in personal service and the IRS's plans to direct taxpayers with questions to preparers and other third parties (along with the expansion of user fees) as creating a "pay to play" tax system, where only taxpayers who can afford to pay for tax advice will receive personal service, while others will be left struggling for themselves.*