

Independent Association of Accountants of New York, Inc.

IRS issues proposed regulations on new 20 percent deduction for passthrough businesses

IR-2018-162, Aug. 8, 2018

WASHINGTON — The Internal Revenue Service issued proposed regulations today for a new provision allowing many owners of sole proprietorships, partnerships, trusts and S corporations to deduct 20 percent of their qualified business income.

The new deduction – referred to as the Section 199A deduction or the deduction for qualified business income – was created by the Tax Cuts and Jobs Act. The deduction is available for tax years beginning after Dec. 31, 2017. Eligible taxpayers can claim it for the first time on the 2018 federal income tax return they file next year.

The deduction is generally available to eligible taxpayers whose 2018 taxable incomes fall below \$315,000 for joint returns and \$157,500 for other taxpayers. It's generally equal to the lesser of 20 percent of their qualified business income plus 20 percent of their qualified real estate investment trust dividends and qualified publicly traded partnership income or 20 percent of taxable income minus net capital gains.

Deductions for taxpayers above the \$157,500/\$315,000 taxable income thresholds may be limited. Those limitations are fully described in the proposed regulations.

Qualified business income includes domestic income from a trade or business. Employee wages, capital gain, interest and dividend income are excluded.

In addition, Notice 2018-64, also issued today, provides methods for calculating Form W-2 wages for purposes of the limitations on this deduction. More information in the form of FAQs on Section 199A can be found on IRS.gov.

Taxpayers may rely on the rules in these proposed regulations until final regulations are published in the Federal Register.

Written or electronic comments and requests for a public hearing on this proposed regulation must be received within 45 days of publication in the Federal Register.

New York Professional Responsibility

The Tax Department is committed to holding tax preparers to the highest standards of quality service. Most tax professionals are honest and provide excellent service to their clients. The relatively few tax preparers who don't meet those standards, however, can cause serious problems.

We work closely with professional societies, consumer advocacy groups, and law enforcement to ensure all tax preparers perform their duties in an ethical and legal manner. New York is one of only four states to regulate the tax preparer industry. See our Summary of the regulations.

If you are aware of any tax preparers who have engaged in illegal or improper conduct, contact our office at 518-530-HELP or file a tax preparer complaint.

We are now on Facebook. Please be sure to follow our page Independent Association of Accountants, (<https://www.facebook.com/IAAofNY/>) to get updates and reminders.

Tax Security 101: Tax professionals must maintain, protect EFINs; Monitor EFINs, PTINs and CAF numbers

R-2018-164, Aug. 14, 2018

WASHINGTON — The Internal Revenue Service and the Security Summit partners warned tax professionals that savvy cyber-criminals target IRS-issued identification numbers to help impersonate practitioners as well as taxpayers.

To help protect against this threat used on the Dark Web, the IRS, state tax agencies and the tax industry reminded practitioners that they must maintain, monitor and protect their Electronic Filing Identification Numbers (EFINs) as well as keep tabs on their Preparer Tax Identification Numbers (PTINs) and Centralized Authorization File (CAF) numbers.

This is the sixth in a series called "[Protect Your Clients; Protect Yourself: Tax Security 101](#)." The Security Summit awareness campaign is intended to provide tax professionals with the basic information they need to better protect taxpayer data and to help prevent the filing of fraudulent tax returns.

Although the Security Summit – a partnership between the IRS, states and the private-sector tax community – is making progress against tax-related identity theft, cybercriminals continue to evolve, and data theft at tax professionals' offices is on the rise. Thieves use stolen data from tax practitioners to create fraudulent returns that are harder to detect.

Cybercriminals sometimes post stolen EFINs, PTINs and CAF numbers on the Dark Web as a crime kit for identity thieves who can then file fraudulent tax returns. EFINs are necessary for tax professionals or their firms to file client returns electronically. PTINs are issued to those who, for a fee, prepare tax returns or claims for refund. CAF numbers are issued when tax practitioners or their firms file a request for third-party access to client files.

These identification numbers may only be obtained directly from the IRS.

Here's what tax professionals can do to protect these important numbers from identity thieves:

Maintaining EFINs

Once a tax professional has completed the EFIN application process and received an EFIN, it is important that they keep their account up-to-date at all times. This includes:

- Review the e-file application periodically. Tax professionals' e-file application must be updated within 30 days of any changes such as individuals involved, addresses or telephone numbers. Failure to do so may result in the inactivation of an EFIN.
- Ensure proper individuals are identified on the application, and update as necessary. The principal listed on the application is the individual authorized to act for the business in any legal or tax matters. Periodically access the account.
- Add any new principals or responsible officials promptly.
- Update any business address changes, including adding new locations.
- EFINs are not transferable; if selling the businesses, the new principals must obtain their own EFIN.

There must be an EFIN application for each office location; for those expanding their business, an application is required for each location where e-file transmissions will occur.

Monitoring EFINs, PTINs and CAFs

Tax professionals can obtain a weekly report of the number of tax returns filed with their EFIN and PTIN. For PTIN holders, only those preparers who are attorneys, CPAs, enrolled agents or Annual Filing Season Program participants and who file 50 or more returns may obtain PTIN information. Weekly checks will help flag any abuses by cybercriminals. Here's how:

For EFIN totals:

- Access the e-Services account and the EFIN application;
- Select "EFIN Status" from the application;

Contact the IRS e-help Desk if the return totals exceed the number of returns filed.

For PTIN totals:

- Access the online PTIN account;
- Select "View Returns Filed Per PTIN;"
- Complete Form 14157, Complaint: Tax Return Preparer, to report excessive use or misuse of PTIN.

For those with a Centralized Authorization File (CAF) number, make sure to keep authorizations up to date. Tax professionals should make an annual review to identify outstanding third-party authorizations for people who are no longer their clients. It is important that tax professionals remove authorizations for taxpayers who are no longer their clients.

See "Withdrawal of Representation" in [Publication 947](#), Practice Before the IRS and Power of Attorney. Information also is available in the instructions for Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization, for additional information on withdrawing representation.

Protecting EFINs

The same good security habits for protecting client data also can protect the EFIN. Those include the use of strong anti-virus software, strong and unique passwords, two-factor authentication where available.

- Learn to recognize and avoid phishing scams; do not open links or attachments from suspicious emails, most data thefts begin with a phishing email.
- Secure all devices with security software and let it automatically update.
- Use strong passwords of eight or more mixed characters; use phrases that are easily remembered and password protect all wireless devices.
- Encrypt all sensitive files/emails and use strong password protections.
- Backup sensitive data to a safe and secure external source not connected fulltime to the network.
- Wipe clean or destroy old computer hard drives that contain sensitive data.

In addition to these steps, the Security Summit reminds all professional tax preparers that they must have a written data security plan as required by the Federal Trade Commission and its [Safeguards Rule](#). They can get help with security recommendations by reviewing the recently revised IRS [Publication 4557, Safeguarding Taxpayer Data, and Small Business Information Security: the Fundamentals](#) by the National Institute of Standards and Technology.

[Publication 5293](#), Data Security Resource Guide for Tax Professionals, provides a compilation of data theft information available on [IRS.gov](#). Also, tax professionals should stay connected to the IRS through subscriptions to [e-News for Tax Professionals](#), [QuickAlerts](#) and [Social Media](#).

Some Nerdy Accountanting Jokes to Finish Your Summer

1. What do accountants suffer from that ordinary people don't? Depreciation.
2. Why do economists exist? So accountants have someone to laugh at.
3. What's an extroverted accountant? One who looks at your shoes while he's talking to you instead of his own.
4. Why do accountants make good lovers? They're great with figures.
5. Why don't accountants read novels? Because the only numbers in them are page numbers.
6. Where do homeless accountants live? In a tax shelter.

Please remember that the Independent Association of Accountants of New York, Inc. does provide scholarships annual to members and their families.

INDEPENDENT ASSOCIATION OF ACCOUNTANTS OF NEW YORK, INC.
4043 MAPLE RD BOX 100A, AMHERST, NY 14226
iaaofny@msn.com
SCHOLARSHIP APPLICATION

Return your complete application to: Independent Association of Accountants of New York, Inc.
4043 Maple Rd box 100A, Amherst, NY 14226

PERSONAL DETAILS

Student Name: _____

Address: _____

Date of Birth: _____

CURRENT STUDY STATUS AND STUDY INTENTIONS

Current High School Status: _____

Current College/Business School: _____

Degree Program: _____

College Entrance Date: _____

College Graduation Date: _____

You intend to Study

- Part Time
- Full Time

Please List Any Academic Awards or Scholarships that you are currently receiving

Personal Statement:

Briefly state your purpose for college and your goals

Certification: I certify that the information provided is complete and accurate to the best of my knowledge. Falsification of information will result in termination of any scholarship awarded.

Signature _____ Date _____

The Independent Association of Accountants of New York, Inc.

Business Entities

September 17, 2018

Registration Time 7:30 a.m.

Seminar 8:00 a.m. – 4:30 p.m.

Millennium

2040 Walden Avenue – Exit 52E @ I-90

Cheektowaga, NY 14225

(716) 681-2400

Name: _____

Firm Name: _____

Address: _____

Town/City: _____ State: _____ Zip _____

Phone # _____ Fax # _____

Indicate area code

Indicate area code

I.A.A. Member Number: _____ (printed on your current I.A.A. membership certificate)

PTIN Number: _____ (Needed to provide IRS CPE hours)

Email Address: _____

(Your email address will only be used if we need to update you with additional seminar or I.A.A. information)



**APPROVED
CONTINUING EDUCATION
PROVIDER**

I.A.A.'s Member's Price \$185.00 — Non I.A.A.'s Member's Price \$285.00

* Price includes lunch

If four (4) or more members of the same firm attend the above seminar a \$10.00 savings per attendee will incur.

All attendees **must** be current members of I.A.A. **prior** to the above seminar date in order for the discount to take affect.

Membership applications available at www.iaaofny.com

Registrations received after September 3, 2018 add an additional \$25.00

Registrations day of Seminar add an additional \$25.00

No refunds will be issued after September 10, 2018

Note: **No exceptions to the above three statements**

A separate registration form **must** be filled out for each attendee (feel free to copy this form, also available at www.iaaofny.com)

Return this form along with seminar payment made payable to I.A.A.

Mail to:

Independent Association of Accountants of New York, Inc.

4043 Maple Rd. Box 100 A

Amherst, NY 14226

The Independent Association of Accountants of New York, Inc.

1040 Tax Seminar

October 22 & 23, 2018

Registration Time 7:30 a.m.

Seminar 8:00 a.m. – 4:30 p.m.

Millennium

2040 Walden Avenue – Exit 52E @ I-90

Cheektowaga, NY 14225

(716) 681-2400

Name: _____

Firm Name: _____

Address: _____

Town/City: _____ State: _____ Zip _____

Phone # _____ Fax # _____

Indicate area code

Indicate area code

I.A.A. Member Number: _____ (printed on your current I.A.A. membership certificate)

PTIN Number: _____ (Needed to provide IRS CPE hours)

Email Address: _____

(Your email address will only be used if we need to update you with additional seminar or I.A.A. information)



APPROVED
CONTINUING EDUCATION
PROVIDER

I.A.A.'s Member's Price \$290.00 — Non I.A.A.'s Member's Price \$390.00

* Price includes lunch

If four (4) or more members of the same firm attend the above seminar a \$20.00 savings per attendee will incur.

All attendees must be current members of I.A.A. prior to the above seminar date in order for the discount to take affect.

Membership applications available at www.iaaofny.com

Registrations received after October 1, 2018 add an additional \$25.00

Registrations day of Seminar add an additional \$25.00

No refunds will be issued after October 8, 2018

Note: No exceptions to the above three statements

A separate registration form must be filled out for each attendee (feel free to copy this form, also available at www.iaaofny.com)

Return this form along with seminar payment made payable to I.A.A.

Mail to:

Independent Association of Accountants of New York, Inc.

4043 Maple Rd. Box 100 A

Amherst, NY 14226

2018– 2019 IAA SCHEDULE OF EVENTS

| <u>Date & Time</u> | <u>Topics</u> | <u>Meeting Place</u> |
|------------------------|---|-------------------------------|
| September 17, 2018 | Gear Up – Business Entities | Millennium Hotel |
| October 3, 2018 | Social Security – How to help your clients through the Social Security Maze Speaker - Michael Hoeflich from "The Financial Guys" | Russell's Steak, Chops & More |
| October 22 & 23, | Gear Up 1040 | Millennium Hotel |
| November 7, 2018 | Assisting the Taxpayer in Not Paying Taxes on Income Property Disposal – Like Kind Exchange Speaker – Russell Gullo | Russell's Steak, Chops & More |
| December 5, 2018 | NYS Tax Updates and Messages Speaker – NYS Tax Dept Provided | Russell's Steak, Chops & More |
| January 23, 2019 | Round Table Discussions | Russell's Steak, Chops & More |

Meetings at the **Russell's Steak, Chops & More** start promptly at 6:00 p.m.

Russell's Steak, Chops & More – 6675 Transit Road – Williamsville, NY

IAA's Mission Statement

To promote, assist, educate, protect and defend the accounting practitioner within the State of New York; to aid the progress of the profession of accountancy, without limiting the foregoing; to advance the theory and practice of accountancy and its allied fields; to enhance the status of the accounting practitioner within the State of New York to endeavor to maintain technical and cultural standards

IAAOFNY.COM

Visit our web site for the latest and most updated information on your society.

Download membership applications, seminar information, registration forms, renew your membership.

Membership listing with phone numbers and links to member's websites.

The quarterly newsletter and other information.

