

# Updating recent actions and the results of an ‘embattled’ IRS

Let’s begin with a limited correction of my prior article in the Winter 2015 issue of *The Representor*. The IRS has announced that it will not fine employers who reimburse an employee for medical insurance that he or his spouse carries personally (or through the spouse’s employer) \$100 per day until after June 30, 2015.

This tremendous concession occurred because of pressure put on the IRS. But June is coming soon. Employers have an approved out. They can increase the taxable wages by the amount of the insurance reimbursement as long as they don’t specify that it is for the insurance. This means there can be no accounting required as to whether the increase was actually used for insurance.

A further exception was made for S Corporation stockholders; the penalties will not apply to them at least until after 2015, or until the IRS decides what to do with the problem. This, in part, comes from the fact that the premiums for S Corporation stockholders have always been added back to the individual stockholders, but are deductible to the individual on their personal returns as a deduction BEFORE adjusted gross income. The IRS quandary: how do you penalize a company for a payment, the deduction for which has already been transferred from the corporation to the individual? The laws appear to have hopelessly entangled themselves.

## Automobile depreciation changes

Under the law changes affected in December 2014, the IRS allowable depreciation amounts for automobiles bought in years 2014 and 2015 are as follows:

	2014	2015
Year of purchase	\$11,160	\$3,160
Second year	5,100	5,100
Third year	3,050	3,050
Every year thereafter	1,875	1,875

The obvious difference is the first year, where Congress finally extended the \$8,000 first year special allowance for 2014 but has not extended it (yet) for 2015. The jury is still out on that, and we’ll probably have another cliff hanger.

## The embattled IRS

The IRS has been in trouble with Congress ever since Congress believed the IRS was going after Republican non-profit organizations for collecting donations in order to educate the public on voting issues in a way that the IRS thought was highly partisan rather than education oriented. This apparent stupid blunder on the part of the IRS has caused Congress to reduce IRS funding, further exacerbated by the “sequester.”

The IRS has therefore had to reduce its staff. Most auditors are no longer on the road visiting taxpayers. Audits are generally being conducted by mail. The computers review the tax returns and pick out those that don’t fit the “mold” that the IRS has devised. These returns are reviewed by an IRS auditor, and the process eventually results in a letter to the taxpayer.

Here’s where things get dicey for the taxpayers. They are required to send ALL pertinent information to the IRS, and someone at the IRS reviews the documents and makes a decision on what’s allowed and what isn’t. There’s no discussion, no communication, no questioning — just a decision.

The taxpayer is on the defensive against great odds, trying to upset the decision. In front of an IRS agent, you could at least explain your position; now, while not impossible, your chances are not good. The IRS has become almost totally impersonal.



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