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## **Five-Minute Tax Briefing<sup>®</sup>** **August 25, 2020** **No. 2020-16**

### **Item for Thursday, August 20, 2020**

**IRS Provides Paper Alternative to EIP Nonfilers Tool:** In a recently published Frequently Asked Question (FAQ), the IRS has clarified that taxpayers seeking an Economic Impact Payment (EIP) may print and mail the information entered in the "Non-Filers: Enter Your Payment Info Here" tool. (The information should only be submitted once—either online or by mailing the printed form.) "EIP 2020" should be written at the top of the printed document. In addition, "Child tax credit" should be checked in column (4) of the section for "Dependents" for each qualifying child claimed. The printed document should be mailed to the IRS address where the taxpayer would file his or her Form 1040. For more information, see [www.irs.gov/coronavirus/economic-impact-payment-information-center](http://www.irs.gov/coronavirus/economic-impact-payment-information-center) (FAQ 60).

### **Item for Wednesday, August 19, 2020**

**IRS to Send Tax Refund Interest:** The IRS has announced that it will be sending interest payments to about 13.9 million individual taxpayers who timely filed their 2019 federal income tax returns and are receiving refunds. The interest payments, averaging about \$18, will be made to individuals who filed a 2019 return by this year's July 15 deadline and either received a refund in the past three months or will receive a refund. In most cases, taxpayers who received their refund

by direct deposit will have their interest payment direct deposited in the same account. Everyone else will receive a check. The IRS reminds taxpayers that these interest payments are taxable and must be reported on the individual's Form 1040 for 2020. In January 2021, the IRS will send a Form 1099-INT to anyone who receives interest totaling at least \$10. News Release IR 2020-183 .

## Items for Tuesday, August 18, 2020

**Applicable Federal Rates for September:** The Section 7520 rate for September 2020 is 0.4%, while the Applicable Federal Rates (AFRs) are as follows (Rev. Rul. 2020-16):

	Annual	Semiannual	Quarterly	Monthly
Short-term ( $\leq 3$ years)	0.14%	0.14%	0.14%	0.14%
Mid-term ( $> 3$ years but $\leq 9$ years)	0.35%	0.35%	0.35%	0.35%
Long-term ( $> 9$ years)	1.00%	1.00%	1.00%	1.00%

**Electronic Filing of Form 1040-X Now Available:** The IRS has announced that taxpayers can now submit Form 1040-X (Amended U.S. Individual Income Tax Return) electronically with commercial tax-filing software. This announcement follows years of effort by the IRS, and the enhancement allows taxpayers to quickly correct previously filed returns while minimizing errors. Currently, only tax year 2019 Form 1040 and Form 1040-SR can be amended electronically. Additional improvements are planned for the future. Taxpayers still have the option to submit a paper version of Form 1040-X and should follow the instructions for preparing and submitting the paper form. News Release IR 2020-182 .

## Item for Monday, August 17, 2020

**Church Waivers for Refund Claims and Abatement Requests:** The IRS has issued interim guidance providing instructions to examiners on how to inform churches of the option to authorize the IRS to consider claims for refund or requests for abatement without following the otherwise applicable procedures of IRC Sec. 7611. Where applicable, the IRS will contact a church in writing to offer the option to execute a written waiver allowing the IRS to consider its claim or request without following the procedures contained in IRC Sec. 7611. The church is under no obligation to agree to a waiver. If the organization does not respond by the response due date or indicates they are not authorizing a waiver, the IRS will continue processing the claim by following Section 7611 procedures and issuing a Notice of Church Tax Inquiry. TE/GE-04-0720-0006, available at [www.irs.gov/pub/foia/ig/tege/tege-04-0720-0006.pdf](http://www.irs.gov/pub/foia/ig/tege/tege-04-0720-0006.pdf) .

## Item for Friday, August 14, 2020

**Largest Seizure of Terrorist Organizations' Cryptocurrency Accounts:** IRS Criminal Investigation (CI), in collaboration with the Department of Homeland Security and the FBI, seized cryptocurrency from three terror finance campaigns. These terrorist organizations relied on

sophisticated cyber-tools, including the solicitation of cryptocurrency donations from around the world. U.S. authorities seized millions of dollars, over 300 cryptocurrency accounts, four websites, and four Facebook pages all related to the criminal enterprise. IRS-CI special agents have worked diligently to unravel the terrorists' technology networks, which include complex financial transactions using cryptocurrencies to fund their terrorist activities. These agents trace funds used by the terrorist groups to their source and dismantle the groups' communication and financial networks, which prevents them from completing their terroristic missions. DOJ News Release: Global Disruption of Three Terror Finance Cyber-Enabled Campaigns, available at [www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns](http://www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns) .

### **Item for Thursday, August 13, 2020**

**User Fees to Increase for Certain Employee Plan Rulings:** The IRS has announced that user fees will increase for certain letter ruling and determination letter requests submitted to the IRS's Employee Plans Rulings and Agreements Office. Effective 1/4/21, user fees will increase as follows: (1) \$6,500 for a letter ruling request for a five-year extension of the amortization period (up from \$1,000); (2) \$2,700 for Form 5300 (Application for Determination for Employee Benefit Plan) (up from \$2,500); (3) \$1,000 for Form 5307 (Application for Determination for Adopters of Modified Volume Submitter Plans) (up from \$800); and (4) \$3,500 for Form 5310 (Application for Determination for Terminating Plan) (up from \$3,000). The IRS has decided to announce these fee increases early to provide taxpayers and stakeholders with advance notice. Announcement 2020-14 .

### **Item for Wednesday, August 12, 2020**

**Coronavirus-related Layoff and Rehire under Qualified Retirement Plan Rules:** Under IRC Sec. 411(d)(3), failure to fully vest all affected participants upon a partial termination of a qualified retirement plan can result in disqualification of the plan. In a recent Frequently Asked Question (FAQ), the IRS clarified that, subject to the facts and circumstances of each case, employees participating in a qualified retirement plan generally are not treated as having an employer-initiated severance from employment if they are rehired by the end of the applicable period. Therefore, participating employees terminated due to the COVID-19 pandemic and rehired by the end of 2020 generally would not be treated as having an employer-initiated severance from employment for purposes of determining whether a partial termination of the retirement plan occurred during the 2020 plan year. For more information, see [www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers](http://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers) .

### **Item for Tuesday, August 11, 2020**

**IRS Issues Final Regulations on SALT Limitation Workarounds:** The IRS has issued final regulations (TD 9907) on so-called *SALT limitation workarounds* [payments to charitable entities

designed to avoid or mitigate the effects of the Section 164(b)(6) SALT limitation for tax years 2018-2025]. The final regulations update the rules regarding the application of IRC Sec. 162 to taxpayers that make payments or transfers for business purposes to entities described in IRC Sec. 170(c). The regulations also provide safe harbors under IRC Sec. 162 for payments made by businesses to Section 170(c) entities. In addition, the regulations provide a safe harbor for payments made to a Section 170(c) entity by individuals who itemize deductions and receive (or expect to receive) a state or local tax credit in return. Finally, the regulations reflect past guidance and case law regarding the application of the *quid pro quo* principle to a donor who receives (or expects to receive) benefits from a third party. Regs. 1.162-15 , 1.164-3, 1.170A-1, and 1.170A-13.

## Item for Monday, August 10, 2020

**Presidential Memo Deferring Payroll Tax Obligations:** In a memo, President Trump has directed the Secretary of the Treasury to use his authority under IRC Sec. 7508A to defer certain payroll tax obligations with respect to certain American workers. The Secretary may defer the withholding, deposit, and payment of the 6.2% Social Security tax imposed under IRC Sec. 3101(a), as well as the 6.2% railroad retirement tax under IRC Sec. 3201 , on wages or compensation paid 9/1/20 through 12/31/20. The deferral shall be made to any employee whose wages or compensation, payable during any biweekly pay period, generally is less than \$4,000 (calculated on a pretax basis). Amounts deferred pursuant to the memo shall be deferred without any penalties, interest, additional amount, or addition to the tax. The memo also directs the Secretary to explore avenues, including legislation, to eliminate the obligation to pay the deferred taxes. For more information, see [www.whitehouse.gov/presidential-actions/memorandum-deferring-payroll-tax-obligations-light-ongoing-covid-19-disaster](http://www.whitehouse.gov/presidential-actions/memorandum-deferring-payroll-tax-obligations-light-ongoing-covid-19-disaster) .

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