

NICHOLS PATRICK WEEKLY TAX UPDATE

With E. Lynn Nichols, CPA

February 6, 2012

CITATIONS

1. Flight Attendant's Gross Income Must Include Wages Earned in U.S. and in International Airspace

(Andrea Ready v. Comm.; T.C. Summ. Op. 2012-12; 2/1/2012)

The Tax Court, in a summary opinion, held that a flight attendant who resided in France and who was a dual citizen of the United Kingdom and United States cannot exclude from her gross income the wages she earned in the United States and in international airspace under the France-U.S. tax treaty or under section 911. [Doc 2012-2035]

2. Reasonable Jury Could Find Individual Committed Fraud On Gift Tax Return

(Thomas W. Gaughen v. U.S.; DC M PA; No. 1:09-cv-02488; 1/31/2012)

A U.S. district court denied an individual partial summary judgment on whether he was entitled to a refund of fraud penalties assessed against him in a gift tax refund case, holding that there was sufficient evidence for a reasonable jury to find that he acted fraudulently in undervaluing property on his gift tax return. [Doc 2012-1961]

3. DOJ Announces Order for Iowan Corporations to Pay Employment Taxes

(DOJ; 12-147; 2/1/2012)

Watts Trucking Service Inc., its president, James Watts of Bettendorf, Iowa, and seven subsidiary corporations were alleged to have failed to pay over to the IRS employment and unemployment taxes and ordered by a federal court to comply, the Justice Department said in a February 1 release. [Doc 2012-1982]

4. LB&I Directive Provides Guidance on "Benefits and Burdens of Ownership" Analysis for IRC Sec. 199 Deduction

(LB&I-04-0112-001; 2/2/2012)

The IRS Large Business & International Division has issued a directive to help LB&I examiners determine whether a taxpayer has the benefits and burdens of ownership under a contract manufacturing arrangement for purposes of the section 199 domestic production activities deduction. [Doc 2012-2172]

5. IRS Rejects Taxpayer's Loss, Business Deductions, for Lack of Profit Motive

(ECC 201204012; 5/3/2011, rel., 1/27/2012)

In e-mailed advice, the IRS discussed arguments against allowing a taxpayer to claim a section 165 loss deduction and a section 162 business expense deduction. [Doc 2012-1671]

6. Sole Proprietorship Trucking Company Not Entitled to Deductions

(Sue Colvin v. Comm.; T.C. Memo. 2012-26; 1/30/2012)

The Tax Court held that a couple was not entitled to business expense deductions related to the wife's sole proprietorship of a trucking company, finding that they did not present evidence to support the deductions and sustaining accuracy-related penalties against them. [Doc 2012-1833]

7. New Guidance on W-2 Health Coverage Reporting Supersedes Previous Guidance

(Tax Notes Today; 2/3/2012; Article by Matthew Dalton)

Employers who must report the value of health coverage provided to individuals on Form W-2 should look to Notice 2012-9 for guidance, a Treasury official said February 2. [Doc 2012-2171]

IRS Modifies Guidance on Reporting of Employer-Provided Healthcare Coverage

(Notice 2012-9; 2012-4 IRB 315; 1/3/2012)

The IRS has issued interim guidance on informational reporting to employees of the cost of their group health insurance coverage under section 6051(a)(14). [Doc 2012-61]