

Current Federal Tax Developments

Week of March 21, 2022

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SECTION: 280F

IRS ANNOUNCES DEPRECIATION AND LEASE INCLUSION AMOUNTS ON VEHICLES FOR 2022

Citation: Revenue Procedure 2022-17, 3/16/22

The IRS has released updated depreciation limits for automobiles and light trucks in Revenue Procedure 2022-17.¹ The release also contains the table to be used for determining lease inclusion amounts with a lease term beginning in 2022.

The depreciation limits² for passenger automobiles acquired after September 27, 2017 and placed in service in calendar year 2022 for which bonus depreciation is claimed is:

Tax Year	Amount
1st Tax Year	\$19,200
2nd Tax Year	\$18,000
3rd Tax Year	\$10,800
Each Succeeding Year	\$6,460

For such passenger automobiles where depreciation is *not* claimed, the limits³ are:

Tax Year	Amount
1st Tax Year	\$11,200
2nd Tax Year	\$18,000
3rd Tax Year	\$10,800
Each Succeeding Year	\$6,460

¹ Revenue Procedure 2022-17, March 16, 2022, <https://www.taxnotes.com/research/federal/irs-guidance/revenue-procedures/irs-announces-limits-on-depreciation-deductions-for-automobiles/7d8y5?h=2022-17> (retrieved March 20, 2022)

² Revenue Procedure 2022-17, March 16, 2022, Table 1

³ Revenue Procedure 2022-17, March 16, 2022, Table 2

Table 3 of the procedure contains the lease inclusion amounts for 2022.⁴

SECTION: 6011

LAWMAKERS SEND ADDITIONAL LETTER TO IRS ON NOTICE SUSPENSION

Citation: Letter to Commissioner Charles Rettig, Senate version, 3/11/22

The IRS has received yet another pair of identical letters from members of Congress regarding the IRS's backlog and notices.⁵ One letter contained the signatures of members of the United States Senate while the other came signed by members of the House. In total, over 100 members of Congress signed one or the other letter.

The letter begins with outlining the concerns of the lawmakers:

We appreciate the Internal Revenue Service (IRS)'s ongoing efforts to eliminate the unprecedented backlog at the IRS. We remain concerned that the IRS does not have a comprehensive plan to remedy the numerous problems affecting taxpayers, despite the fact that this filing season is already well underway. For example, there is continued confusion about which notices may be unilaterally suspended by the IRS, beyond the notices the IRS has already suspended, among other issues.⁶

The letter then points out that the lawmakers have not heard an update from the IRS since February 8, and asks for answers to the following questions:

1. Which remaining unsuspended notices does the IRS have the authority to suspend? Please explain why the IRS has left these remaining notices unsuspended.
2. Is the IRS in the process of working to suspend additional notices? If so, when will that work be completed?
3. Which notices are statutorily required to be issued within a specific time? Would the IRS suspend these statutory notices if the IRS had the legal authority to do so?
4. Explain why the IRS has not suspended notice CP2000, Notice of Underreported Income?

⁴ Revenue Procedure 2022-17, March 16, 2022, Table 3, <https://www.taxnotes.com/tax-notes-today-federal/accounting-periods-and-methods/irs-announces-limits-depreciation-deductions-automobiles/2022/03/17/7d8y5#:~:text=REV.%20PROC.%202022%2D17%20TABLE%203,1%2C061>

⁵ Letter to Commissioner Charles Rettig, Senate version, March 11, 2022, <https://www.cassidy.senate.gov/imo/media/doc/irs%20letter.pdf> (retrieved March 20, 2022)

⁶ Letter to Commissioner Charles Rettig, Senate version, March 11, 2022

5. Notwithstanding the publication of Notice 2021-39, widespread controversy surrounding Schedules K-2 and K-3 remains, including recent additional instructions, the inability to electronically file, and lingering uncertainty surrounding many requirements. As such, is the IRS contemplating relief, such as delaying implementation to 2023?

6. In early February, the IRS advised Congress that it was considering a systemic process to identify pending penalty abatement requests, and likewise evaluating penalty relief options. Has the IRS determined if it can provide penalty relief for taxpayers as previously offered by the IRS for the 2020 and 2021 tax year? If not, why not?⁷

In a hearing on March 17 before the House Ways and Means Oversight Subcommittee, Commissioner Rettig promised that the mail backlog that has led to many of the issues will be cleared by year end if the “world stays as it is today.”⁸

SECTION: 6654

IRS ISSUES FORMAL RELIEF FOR ESTIMATED TAXES FOR FARMERS AND FISHERMEN

Citation: Notice 2022-13, 3/15/22

The IRS formalized the estimated tax penalty relief announced earlier this month for qualified farmers and fishermen in Notice 2022-13.⁹

Qualified farmers and fishermen are eligible for special estimated tax provisions that allow for a later payment of tax, as the Notice describes:

An individual taxpayer who fails to make a sufficient and timely payment of estimated income tax generally is liable for an addition to tax under section 6654(a). However, special rules may apply in the case of an individual taxpayer who is a farmer or fisherman and satisfies the requirements of section 6654(i) for a taxable year (qualifying farmer or fisherman). Under section 6654(i)(1), a qualifying farmer or fisherman has only one required installment payment (instead of four quarterly payments) due on January 15 of the year following the taxable year if at least two-thirds of the taxpayer's total gross income was from farming or fishing in either the taxable year or the preceding taxable year. For a qualifying farmer or fisherman who does not make the required estimated tax installment payment by January 15 of the year following the taxable year, section 6654(i)(1)(D) provides that the

⁷ Letter to Commissioner Charles Rettig, Senate version, March 11, 2022

⁸ Jonathan Curry, “Rettig Makes a Big Backlog Pledge, Defends Audit Priorities”, *Tax Notes Today Federal*, March 18, 2022, <https://www.taxnotes.com/tax-notes-today-federal/tax-system-administration/rettig-makes-big-backlog-pledge-defends-audit-priorities/2022/03/18/7d960> (subscription required, retrieved March 20, 2022)

⁹ Notice 2022-13, March 15, 2022, <https://www.taxnotes.com/research/federal/irs-guidance/notices/irs-extends-relief-from-e-filing-glitch-to-farmers%2c-fishermen/7d8t5?h=2022-13> (retrieved March 20, 2022)

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taxpayer is not subject to an addition to tax for failing to pay estimated income tax if the taxpayer files the return for the taxable year and pays the full amount of tax reported on the return by March 1 of the year following the taxable year.¹⁰

However, some tax software providers were not yet able to file individual returns containing Form 7203, *S Corporation Shareholder Stock and Debt Basis Limitations*, that is required to be included with Form 1040 for certain individuals holding S corporation stock as the March 1 deadline approached.

The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) understand that, for the 2021 taxable year, some qualifying farmers and fishermen have been unable to electronically file Form 7203, *S Corporation Shareholder Stock and Debt Basis Limitations*, which may be required to be included in their federal income tax returns for taxable year 2021 (2021 tax returns). Due to this inability, farmers and fishermen may have had difficulty filing their 2021 tax returns electronically by the March 1, 2022, due date provided by section 6654(i)(1). Accordingly, the Treasury Department and the IRS have determined it is appropriate to waive certain penalties for qualifying farmers and fishermen due to these unusual circumstances if the requirements set forth in section 3 of this notice are satisfied.¹¹

The Notice does not restrict relief to those that actually had to file Form 7203—every qualifying farmer and fisherman will qualify for the relief granted if they file by April 18:

Under the authority granted by section 6654(e)(3)(A), the addition to tax under section 6654 for failure to make an estimated tax payment for the 2021 taxable year is waived for any qualifying farmer or fisherman who files a 2021 tax return and pays in full any tax due on the return by April 18, 2022, or, for those taxpayers who live in Maine or Massachusetts, by April 19, 2022. The waiver will apply to any taxpayer who is a qualifying farmer or fisherman for the 2021 taxable year and fulfills the conditions stated in the previous sentence.¹²

The IRS provides that “[t]he waiver will apply automatically to any taxpayer who qualifies for the waiver and does not report an addition to tax under section 6654 on the 2021 tax return.”¹³

If a taxpayer has already filed his/her return reporting an underpayment penalty, the IRS provides the following procedures to recover that penalty:

Taxpayers who otherwise satisfy the criteria for relief under this notice, but already filed a return and reported an addition to tax under section 6654, may request an abatement of the addition to tax by filing Form

¹⁰ Notice 2022-13, March 15, 2022

¹¹ Notice 2022-13, March 15, 2022

¹² Notice 2022-13, March 15, 2022

¹³ Notice 2022-13, March 15, 2022

843, Claim for Refund and Request for Abatement, in accordance with the Instructions for Form 843 and as follows:

Write “Request for Relief under Notice 2022-13” at the top of Form 843.

Enter “6654” on line 4.

Check the third box on line 5a.

On line 5b, show the dates of any payment of tax liability and addition to tax under section 6654 for the tax period involved.

On line 7, state why the taxpayer's circumstances satisfy the criteria for relief under this notice. Generally, this would include the status of the taxpayer as a qualifying farmer or fisherman, filing a 2021 tax return, and paying in full any tax due on the return by April 18, 2022, or, for those taxpayers who live in Maine or Massachusetts, by April 19, 2022.¹⁴

¹⁴ Notice 2022-13, March 15, 2022