

The Tax Worm



Digging up Tax Information for Individual Taxpayers 2024 Volume 1 | Jan/Feb

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IRS Due Dates

January 16—4th quarter 2023 estimates due.

January 31—1099s, W-2s must be sent to recipients.

March 1—Farmers and fisherman 2023 tax return and payment due.

March 15—Partnerships and S corporations 2023 tax return due.

IRS Announces

Mileage Rates IR-2023-239

activity	2024	2023
Business	67.0	65.5
Charity	14.0	14.0
Medical	21.0	22.0

Cents per mile if eligible to deduct.

Penalties for Failure to File

The IRS continues to focus on people who choose to ignore the law and not file a tax return, especially those individuals earning more than \$100,000 a year.

The IRS is pursuing taxpayers who have failed to satisfy their filing and payment obligations.

Those who choose not to file a return even when they have a legal filing requirement, and especially those earning more than \$100,000 per year who don't file, represent a compliance problem that continues to be a top priority of the IRS.

The Failure to File Penalty is initially much higher than the Failure to Pay Penalty. It is more advantageous to file an accurate return on time and set up a payment plan if needed than to not file. The Failure to File Penalty is generally 5% of the unpaid taxes for each month or part of a month that a tax return is late. The penalty generally will not exceed 25% of unpaid taxes. The Failure to Pay Penalty is generally 0.5% of the unpaid taxes for each month or part of a month the tax remains unpaid. The penalty will not exceed 25% of unpaid taxes.

FRAUD

If a person's failure to file is deemed fraudulent, the penalty can increase from 5 percent per month to 15 percent for each month or part of a month the return is late, with the maximum penalty generally increasing from 25 percent to 75 percent.

Why it matters...

Taxpayers who anticipate owing taxes often want to delay filing. Delaying filing brings two penalties: the penalty for filing late and the late-payment penalty. If you owe taxes, it is better to file on time and make payment arrangements.

IR-2022-125

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Concealing Assets in Offshore Accounts

The IRS remains focused on stopping tax avoidance by those who hide assets in offshore accounts.

International tax compliance is a top priority of the IRS. New patterns and trends emerging in complex international tax avoidance schemes and cross-border transactions have heightened concerns regarding the lack of tax compliance by individuals and entities with an international footprint. As international tax and money laundering crimes have increased, the IRS continues to protect the integrity of the U.S. tax system by helping American taxpayers to understand and meet their tax responsibilities and by enforcing the law with integrity and fairness, worldwide.

Over the years, numerous individuals have been identified as evading U.S. taxes by attempting to hide income in offshore banks, brokerage accounts or nominee entities. They then access the funds using debit cards, credit cards, wire transfers or other arrangements. Some individuals have used foreign trusts, employee-leasing schemes, private annuities, and structured transactions attempting to conceal the true owner of accounts or insurance plans.

U.S. persons are taxed on worldwide income. The mere fact that money is placed in an offshore account does not put it out of reach of the U.S. tax system. U.S. persons are required, under penalty of perjury, to report income from offshore funds and other foreign holdings.

The IRS uses a variety of sources to identify promoters who encourage others to hide their assets overseas.

Why it matters...

A U.S. person who has a financial interest in or signature authority over foreign financial accounts must file an FBAR (Report of Foreign Bank and Financial Accounts) if the aggregate value of the foreign financial accounts exceeds \$10,000 at any time during the calendar year (some exceptions apply).

The FBAR is not filed with the 1040. It is, instead, filed on the BSA E-filing System.

Fincen.gov
IR-2022-125

IRS Scam Warning



Taxpayers should be aware of aggressive pitches from scammers who promote large refunds related to the Employee Retention Credit (ERC). The warning follows blatant attempts by promoters to con ineligible people to claim the credit.

The IRS highlighted these schemes from promoters who have been blasting ads on radio and the internet touting refunds involving Employee Retention Credits. These promotions can be based on inaccurate information related to eligibility for and computation of the credit.

Some advertisements exist solely to collect the taxpayer's personally identifiable information in exchange for false promises. Scammers then use the information to conduct identity theft.

IR-2023-71

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Improper Reporting of Cryptocurrency



The IRS remains focused on stopping tax avoidance by those who hide assets in accounts holding cryptocurrency or other digital assets.

Digital assets are being adopted by mainstream financial organizations along with many other parts of the economy. The use of digital assets across the world in the last decade or so has created tax administration challenges regarding digital assets, in part because there is an incorrect perception that digital asset accounts are undetectable by tax authorities. Unscrupulous promoters continue to perpetuate this myth and make assertions that taxpayers can easily conceal their digital asset holdings.

The IRS urges taxpayers to not be misled into believing this storyline about digital assets and possibly exposing themselves to civil fraud penalties and criminal charges that could result from failure to report transactions involving digital assets.

The IRS can identify and track otherwise anonymous transactions of international accounts as well as digital assets during the enforcement of tax laws. The IRS urges everyone to come into compliance with their filing and reporting responsibilities and avoid compromising themselves.

IR-2022-125

IR-2022-150

Revenue Ruling 2022-15

Why it matters...

Form 1040 has a checkbox (yes/no) for the taxpayer to indicate whether they had ownership or sold any digital assets during the tax year.

Perjury Warning

When you sign your tax return, or the electronic filing authorization, you are attesting, under penalties of perjury, that the information filed is true. Failing to report ownership or sales of digital assets is not in compliance with the attestation.

New IRA Distribution Age

Owners of traditional IRA, and SEP and SIMPLE IRA accounts must begin taking Required Minimum Distributions (RMDs) once the account holder is age 72 (73 if you reach age 72 after Dec. 31, 2022).

Taxpayers are responsible for taking the correct amount of RMDs on time, every year from their accounts, and may face stiff penalties for failure to take RMDs.

RMDs are minimum amounts that IRA and retirement plan account owners generally must withdraw annually starting with the year they reach the required age to withdraw.

Secure Act 2.0

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Tax Court: Mileage Deduction Not Allowed



The taxpayer took deductions for car and truck expenses for 2016 and 2017. The IRS disallowed the deductions because of lack of substantiation.

Tax Court held that the taxpayer failed to satisfy the burden of substantiating purported car and truck expenses (under the business standard mileage rate) for taxable years 2016 and 2017, respectively.

The burden was on the taxpayer to clearly establish entitlement to any deduction claimed. Consequently, the onus was also on him to establish that these documents constituted contemporaneous records which he did not do.

Contemporaneous

Existing or occurring at the same time.

The records submitted made no mention of the business purpose of each purported trip nor the total mileage of all use of the vehicle during the respective taxable years. Moreover, there was no documentary evidence otherwise establishing any of the required elements of the purported expenses. Thus, the taxpayer failed to substantiate the car and truck expenses through adequate records.

The only corroborative evidence were mileage logs which appeared to be printouts from a computer-generated spreadsheet rather than the original log referred to by the taxpayer and

allegedly kept in the vehicle.

The Court held that the taxpayer failed to substantiate the purported car and truck expenses at issue in accordance with the regulations and the deduction was disallowed.

Why it matters...

It occurs that one factor in consideration of substantiating the deduction was the lack of a written log. The computer-generated printout did not reflect credible evidence to support the mileage deduction.



Taxpayers would be well-advised to maintain a daily written log of their business miles. This can be done by obtaining a log-book at an office supply store and keep it in the vehicle. List the date, beginning and ending mileage for each trip, and the purpose of the trip.

Wolpert v. Commissioner, Tax Court Memo. 2022-70

Tax Compliance: For the purposes of maintaining tax records, a taxpayer would be complying with the contemporaneous requirements by documenting the activity while it is occurring. Re-creating the information later would not fall within the definition of contemporaneous.