



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Washington, DC 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

April 8, 2015

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MEMORANDUM FOR DIRECTORS, FIELD EXAMINATION  
DIRECTORS, CAMPUS EXAM AND AUR  
DIRECTORS, REFUNDABLE CREDITS EXAM OPERATIONS  
INDUSTRY DIRECTORS, LB&I

FROM: Scott E. Irick */s/ Scott E. Irick*  
Acting Director, Examination/AUR Policy

SUBJECT: Reissue Interim Guidance Regarding Standard  
Paragraph Explanations for Net Investment Income Tax

The purpose of this memorandum is to reissue IG Memorandum 04-1014-0076 dated October 1, 2014 regarding five standard paragraphs to explain adjustments made to Net Investment Income Tax. Please ensure this information is distributed to all affected employees within your organization.

See the attachment for the following standard paragraphs:

1. Standard Paragraph #8420 – Adjustment to NIIT due to change in modified adjusted gross income
2. Standard Paragraph #8421 – Adjustment to NIIT due to change in modified adjusted gross income - Taxpayer not previously subject to NIIT
3. Standard Paragraph #8422 – Adjustment to NIIT due to change in filing status
4. Standard Paragraph #8423 – Adjustment to NIIT due to change in net investment income
5. Standard Paragraph #8424 – Adjustment to NIIT due to change in allocable investment expenses

This guidance will be incorporated into IRM 4.10.10, *Standard Paragraphs and Explanation of Adjustments*, no later than October 1, 2015.

If you have questions, please contact me or a member of your staff may contact Cathy Demetra, Program Manager, Examination Policy, Field Examination General Processes.

Distribution:

[www.irs.gov](http://www.irs.gov)

Attachment (1)

**Attachment-Net Investment Income Tax Standard Paragraphs**  
**SBSE-04-0415-0029**

**Standard Paragraph #8420 - Adjustment to NIIT due to change in modified adjusted gross income**

Your net investment income tax is calculated on the lesser of (A) your net investment income under IRC 1411 for the taxable year, or (B) the excess, if any, of your modified adjusted gross income (MAGI) over certain threshold amounts based on your filing status. Due to the change in the amount of your modified adjusted gross income (MAGI), your net investment income tax has been adjusted accordingly. We have attached a worksheet to show the changes made.

**Standard Paragraph #8421 - Adjustment to NIIT due to change in modified adjusted gross income - Taxpayer not previously subject to NIIT**

Your net investment income tax is calculated on the lesser of (A) your net investment income under IRC 1411 for the taxable year, or (B) the excess, if any, of your modified adjusted gross income (MAGI) over certain threshold amounts based on your filing status. Since you have net investment income and are now above the applicable threshold amount, you are liable for the net investment income tax. We have attached a worksheet to show the computation of the tax.

**Standard Paragraph #8422 - Adjustment to NIIT due to change in filing status**

Your net investment income tax is calculated on the lesser of (A) your net investment income for the taxable year under IRC 1411, or (B) the excess, if any, of your modified adjusted gross income (MAGI) over the following threshold amounts based on your filing status: Married Filing Jointly or Qualifying Widower with Dependent Child: \$250,000; Married Filing Separately: \$125,000; Single or Head of Household: \$200,000. Due to the change in your filing status, your net investment income tax has been adjusted accordingly.

**Standard Paragraph #8423 - Adjustment to NIIT due to change in net investment income**

Due to the change in the amount of your net investment income under IRC 1411, your net investment income tax has been adjusted accordingly. We have attached a worksheet to show the changes made.

**Standard Paragraph #8424 - Adjustment to NIIT due to change in allocable investment expenses**

Due to the change in the amount of your investment expenses allocable to net investment income under IRC 1411, we have adjusted your net investment income tax accordingly. We have attached a worksheet to show the changes made.