



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED

September 30, 2013

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MEMORANDUM FOR DIRECTORS, EXAMINATION AREA OPERATIONS
DIRECTORS, W&I CAMPUS COMPLIANCE
DIRECTORS, SBSE CAMPUS COMPLIANCE
INDUSTRY DIRECTORS LB&I

FROM: Brad Bouton */s/ Brad Bouton*
Director, Examination Policy

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

This memorandum is being issued to employees in SB/SE Field Examination, SB/SE and W&I Campus, and LB&I to add five new standard paragraphs that can be used for adjustments to 2013 tax returns. These standard paragraphs 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

Until the standard paragraphs are available in RGS, examiners can insert these paragraphs using the [custom paragraph](#) feature in RGS.

This guidance will be incorporated into IRM 4.10.10, *Standard Paragraphs and Explanation of Adjustments*, no later than September 30, 2014.

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

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Attachment (1)

**Attachment-Net Investment Income Tax Standard Paragraphs
SBSE-04-0913-0075**

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.