



IRS Nationwide Tax Forum | 2021

Key Enforcement Issues Thursday, August 5, 2021

Start Time: 2:00pm Eastern /1:00pm Central
12:00 Noon Mountain/11:00am Pacific

Note: You should be hearing music while waiting for webinar to start.

Having Technical Issues?

View the “Technical Issues” troubleshooting guide in the Materials drop-down menu on the left side of this page

Key Enforcement Initiatives

This presentation will cover current Exam initiatives including topics such as the Marijuana Industry and High Income taxpayers.



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At the end of this presentation, you will be able to:

- Provide an overview of Exam compliance activities
- Describe the impact of the pandemic on Exam operations
- Identify new tax law legislation impacting Exam compliance activities
- Provide updates on recent developments in the marijuana industry
- Describe the exam initiative for high income taxpayers



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Compliance Activities

- Post-filing activities
 - Help taxpayers understand and comply with tax laws
 - Identify and address emerging issues
 - Focus on areas of noncompliance, abuse and fraud
 - Cover income and specialty taxes
 - Include audits and document matching activities



Examples of Compliance Activities and Strategies

- Gig Economy
- Nonfilers
- National Research Program
- Virtual Currency
- Syndicated Conservation Easements
- Automated Underreporter Programs
- Backup Withholding
- Return Preparer Compliance
- Marijuana
- High Income Taxpayers



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Pandemic Impact on Compliance Activities

- Conducted compliance activities virtually
- Limited in-person meetings
- Expanded use of
 - Taxpayer Digital Communications
 - Electronic Signatures
 - Email/SecureZip
 - Technology (WebEx, Zoom)
 - Digitization



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New Legislation

Legislation	Date of Enactment
Families First Coronavirus Response Act	March 18, 2020
Coronavirus Aid, Relief and Economic Security Act	March 27, 2020
Paycheck Protection Program Flexibility Act of 2020	June 5, 2020
Consolidated Appropriations Act	December 27, 2020
American Rescue Plan Act of 2021	March 11, 2021



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American Rescue Plan Act of 2021

- *General Provisions*
 - Suspension of tax on portion of unemployment compensation
 - Preserving health benefits for workers
 - 2021 recovery rebates to individuals
 - Child tax credit improvements for 2021



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American Rescue Plan Act of 2021

- *Provisions Impacting Small Business Taxpayers Include:*
 - Extension of limitation on excess business losses of noncorporate taxpayers
 - Preserving health benefits for workers
 - Payroll credits
 - Credit for sick leave for certain self-employed individuals
 - Credit for family leave for certain self-employed individuals
 - Extension of employee retention credit



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Marijuana Strategy

- Growing Industry
- Income reporting
- Filing Requirements
- IRC § 280E
- Taxpayer Resources



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Growing Industry

- 36 states and 4 U.S. Territories permit medical use
- 15 states and the District of Columbia permit recreational use
- More expansion in the future



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Income Reporting

- Income from any source is taxable (IRC § 61)
- Marijuana industry is consistent with other cash-based businesses
- “Unbanked Business”
- Report Cash Transactions



Filing Requirement

- No different from federally legal businesses
- Required returns:
 - Income tax returns
 - Payroll returns
 - Information returns

IRC Section § 280E

IRC Section § 471(c)

- IRC 280E
 - Marijuana remains a Schedule 1 Substance federally
 - Marijuana businesses are subject to limitations federally
 - § 280E disallows all deductions or credits for a business that sells or otherwise traffics marijuana.
- IRC 471(c)
 - Tax Cut and Jobs Act inventory accounting provision
 - Does not eliminate § 280E for all expenditures



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Taxpayer Resources

- Marijuana Industry Resources available on IRS.gov
 - Marijuana Industry page
 - Marijuana FAQs
 - Publication 5435 and 5435A



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High Income Taxpayers - Maintaining Exam Coverage

- Increase audit coverage of taxpayers
- Likelihood of an audit significantly increases as income grows.
- Directive from Former Treasury Secretary to maintain focus on high-income taxpayers



High Income Taxpayers - Maintaining Exam Coverage

- Tax Year 2015 provides a good historical overview of where IRS compliance priorities are focused. Per the IRS data book for 2015,
 - The exam coverage rate of taxpayers with incomes of \$10 million or more is 8.16%.
 - The rate for those between \$1 million and \$10 million is 2.53%.
 - Other income categories generally less than 1%.



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Selecting Returns with Highest Risk of Non-Compliance

- Use data analytics to help identify the taxpayers for examinations
- Ensure consistency and fairness in the selection process.
- Balance workload with other strategic initiatives and priorities

Conducting Examinations

- Revenue Agents from SB/SE and LB&I
- Expand or contract scope of examinations
- Make referrals to specialists as needed
- Tax returns are more complex and take more time to complete



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Summary

- IRS compliance focus
- Examination compliance efforts
- Impact of the pandemic and pandemic legislation on IRS operations
- Information and resources on recent Examination initiatives



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Can you?

- Provide an overview of Exam compliance activities
- Describe the impact of the pandemic on Exam operations
- Identify new tax law legislation impacting Exam compliance activities
- Provide updates on recent developments in the marijuana industry
- Describe the exam initiative for high income taxpayers



Hot Topics

Coronavirus Tax Relief
COVID-19
Economic Impact Payment
Gig Economy
Marijuana Industry
Online Account (OLA)
Online Payment Agreements (OPA)
Outreach Connection
Payment Options
Small Business News and Resources
Tax Professional News and Resources
Tax Scams
Unemployment Compensation
Virtual Currency

Search

coronavirus
covid19
eip
gig; gig work
marijuana
view account
opa
outreach connection
pay
small business news
tax pro news
scams
unemployment
bitcoin; virtual currency



Focus Group Opportunities

- Topic 1: Improving the Taxpayer Experience
- Topic 2: Designing a Business Taxpayers Online Account & Envisioning a Form 1099 Filing Platform
- Topic 3: Changes in Partnership Environment & Where's Form 944?
- Topic 4: Improving the Offer in Compromise (OIC) Experience & Gig Economy Worker Tax Compliance
- Topic 5: Passport Program & Virtual Currency Tax Compliance
- Topic 6: Interest Abatement Feedback & Civil Penalties and Reasonable Cause Relief

To sign up or for additional information, please e-mail:
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