



IRS

Tax Forum

IRS Nationwide

2017

When Tax Prep Meets Tax Court: Essential Cases for 1040 Preparers

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Tax Court

- Prepayment forum
- Need a “ticket”
to get in
- www.ustaxcourt.gov





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3 Types of Decisions

- Regular – significant legal importance
- Memorandum – apply facts to existing law
- Summary – elective if amount in dispute \geq \$50,000



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You be the Judge!

- On the following slides, how will the Tax Court rule?
- Citations available at the NAEA booth in the exhibit hall.





IRC §213 Medical

- Medical expenses are deductible for:
 - Taxpayer
 - Spouse
 - Dependent



Case #1 Deductible Medical Expense?

- Facts:
 - Taxpayer has dementia
 - Doctor says 24/7 supervision required
 - Caregivers do house work plus medical care
 - Caregivers are *not* licensed healthcare providers

Case #2 Deductible Medical Expense?

- Facts:
 - Taxpayer obese & has gastric bypass surgery and loses over 100 lbs
 - Surgeon removes excess skin mass
 - Surgeon's bill says procedure is cosmetic

Case #3 Deductible Medical Expense?

- Facts:
 - Taxpayer had expenses to father children
 - Anonymous eggs using taxpayer's sperm
 - Unrelated gestational carriers via IVF
 - Expenses not reimbursed



IRC §163 Mortgage Interest

- IRC §163 permits qualified residence interest deduction
 - Basic rule: \$1.1 million loan limitation (\$1 million acquisition + \$100K equity)





Case #4 Deductible Mortgage Interest?

- Facts:
 - Chris and Pat are unmarried co-owners of a home
 - Mortgage equals \$2 million
 - Chris and Pat each deduct mortgage interest to \$1 million on single returns



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Case #5 Deductible Mortgage Interest?

- Facts:
 - Son pays portion of down payment on home
 - Son and mom & dad live in home
 - Only mom & dad named on title and mortgage
 - Son makes all mortgage payments



IRC §170 Charitable

- Deduction allowed for contributions made to qualified charities
- May be cash or noncash
- Must be documented





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Case #6 Charity Deduction?

- Facts:
 - Taxpayer volunteers for a loosely organized feral cat organization
 - Has out-of-pocket expenses with receipts
 - \$80 cat food; \$110 vaccinations; \$375 neutering

Case #7 Charity Deduction?

- Facts:
 - Taxpayer wants to help victims of gas attacks in Syria
 - Gives \$500 to Syrian Arab Red Crescent
 - Gives \$300 to Doctors without Borders



IRC §162 Business Expenses

- Ordinary and necessary business expenses are deductible by:
 - Self-employed persons
 - Employees who are not reimbursed



Case #8 Deductible Education Expense?

- Facts:
 - Taxpayer is a licensed practical nurse (LPN)
 - Paid \$20,000 college expenses to become a registered nurse (RN)



Case #9 Deductible Education Expense?

- Facts:
 - Taxpayer is a registered nurse (RN)
 - Paid \$20,000 college expenses to earn an MBA degree



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Wrap-Up



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NOTE: Tax Court citations available at NAEA's booth!