

Small Business:

Avoiding Problems with the IRS

Course Description

This course takes an in-depth look at audit triggers from cash intensive businesses, the hobby loss rules, the proper classification of independent contractors and employees, and the requirements of the recent Tangible Property Regulations. This course also briefly reminds the practitioner of the requirements of some of the older red flags, such as meals and entertainment, travel, and the office in the home deduction. At the end of each chapter is an Action Plan, which the practitioner can use to develop procedures with respect to properly addressing these potential audit issues. By following these procedures, we can certainly go a long way to keep our clients out of trouble with the IRS and the DOL.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 5 (CPA)

Field of Study: Taxes

Prerequisite: None

Advanced Preparation: None

Course Learning Objectives

Section 1: Recordkeeping and Cash Intensive Businesses

Upon completion of this chapter, you will be able to

1. Identify taxpayers who are required to file a Schedule C.
2. Identify industries for which the IRS has published Audit Techniques Guides.
3. Understand the important reasons for your clients' careful recordkeeping.
4. Develop a checklist of indicators of underreported income in cash intensive businesses.
5. Review basic accounting procedures for handling cash in a business.
6. Recognize the techniques the IRS uses in an audit to identify underreported income.

7. Recognize businesses the IRS considers cash intensive, along with businesses that are possible opportunities for underground activities.

Section 2: Hobby Loss Rules

Upon completion of this chapter, you will be able to

1. Recognize red flags on an individual tax return which can potentially alert the IRS to a hobby loss issue.
2. Recognize how to report hobby income and expenses on an individual income tax return.
3. Identify certain activities the IRS views as potential hobbies of taxpayers.
4. Identify an IRS-proof profit motive using the nine factors listed in Reg. Section 183-2(b).
5. Identify issues in the Gullion case that will assist in building a profit motive for your client.
6. Identify for your client the years that fall within the IRC Section 183(d) safe harbor.
7. Recognize when and how to make an IRC 183(e) election.

Section 3: Independent Contractor vs. Employee

Upon completion of this chapter, you will be able to

1. Identify the far-reaching consequences for clients who have misclassified workers as independent contractors.
2. Compose a letter to clients informing them of the impact of the DOL Administrator's Interpretation and the Memorandum of Understanding with the states and the IRS.
3. Identify corporate officers and statutory employee classifications.
4. Distinguish between statutory employees and statutory non-employees.
5. Determine whether a worker can qualify for treatment as an independent contractor under Section 530.
6. List the common-law factors of behavioral and financial control, as well as factors that determine the relationship between the employer and the worker.
7. Recognize which of your clients are candidates for the Voluntary Worker Classification Settlement Program.

Section 4: Capitalization and Repair Policies

Upon completion of this chapter, you will be able to

1. Recognize the de minimis safe harbor to expense asset purchases under the safe harbor amount.
2. Identify expenses as materials and supplies, and understand the tax treatment of materials and supplies, as defined by the Tangible Property Regulations.
3. Differentiate the building systems that are separate from the building structure in identifying units or property.

4. Distinguish between improvements (betterments, restorations, and adaptations) and repair and routine maintenance expenses.
5. Identify how to use the i) safe harbor election for small taxpayers, ii) the safe harbor for routine maintenance, and iii) the election to capitalize repair and maintenance costs, to achieve the greatest tax advantage for your client.
6. Determine the proper tax treatment of removal, or demolition, costs.
7. Identify tax savings for your client using the partial disposition election.
8. Recognize the importance of cost segregation studies, and identify instances in which your client should obtain a cost segregation analysis.

Section 5: Various Issues Impacting Practitioners and their Clients

Upon completion of this chapter, you will be able to

1. Recognize the importance of staying up to date on the new DOL's overtime rule.
2. Identify the ACA mandate of providing health care coverage for employees.
3. Identify issues for clients who are not properly substantiating meals and travel expenses.
4. Recognize the office in the home requirements.
5. Recognize tools available from the IRS for taxpayers who have had their identities stolen.