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Jonathan Rivlin, CPA, a Baltimore native now residing outside the beltway near the old Enchanted Forest in Howard County, was born for this profession. His father, David Rivlin, CPA took him to his office one day in 1986 and from there, it was only a matter of time. He graduated from the University of Maryland, College Park in 1997 with a BS in Accounting – in 3 ½ years, becoming a CPA a few months later in 1998. Jonathan started his career at Grant Thornton, but realized that auditing large corporations wasn't his thing and left soon after. Small business is in his family's blood – four generations deep! In 2006, Jonathan opened his own practice, specializing in small businesses and developing a niche in Baltimore's startup community. In 2016, after many years of talking, father and son joined together in their new firm, The Rivlin Group. Along with his brother Joshua, their firm blends wealth management, cloud-based accounting technology, and comprehensive tax advice for their clients — with an emphasis on security of course. Clients come to The Rivlin Group when they have complex and difficult situations; we don't do easy. Jonathan has been a member of MSATP for almost his entire career. He currently serves on the Professional Regulations committee focusing on bringing issues of concern to the membership.

Joshua P. Roberson, CPA, worked with the Internal Revenue Service for over 15 years as a Field Examiner and Fraud Specialist. He currently has his own practice in Upper Marlboro. Josh offers representation before the federal and state governments and provides financial management for individuals, and small to medium sized businesses.

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MSATP Candidates For Elected Office

by Joshua P. Roberson

All persons holding the membership status of Principal member who would like to present themselves as a candidate for an elected office of President, First Vice President, Second Vice President, Secretary, or Treasurer for the fiscal year beginning July 1, 2020, need to follow the three steps outlined below. In doing so, we are seeking the help of our membership and anyone who has thoughts and ideas as to how we can further improve in several areas.

All persons holding the membership status of Principal or Associate member who would like to present themselves as a candidate for an elected office of Delegate for the fiscal year beginning July 1, 2020, need to also follow these steps:

1. Submit the application to the Nomination Committee prior to **Tuesday, November 12, 2019**, by fax, mail to address below, or email to jpr@jprainc.com.

Joshua P. Roberson
9500 Arena Drive, Ste 220
Largo, MD 20774

Phone: 301-322-8904
Fax: 301-925-6253

2. Accept an invitation from the nomination Committee for an interview to be scheduled during the months of December 2019 and January 2020.

3. At the time of the interview, submit a biography and photograph for publication.

Click here to print the Candidates for Elected Office application.

The Tangible Property Regulations Overview

by Jerry Lotz

One of the largest changes to tax code since 1986 was passed in 2015. These changes directly affect real estate owners and investors. These regulations are extremely taxpayer friendly, but most owners and investors are not aware of them. They are called the Tangible Property Regulations (TPRs), under code section 263a (1-3). The regulations put all the past court cases and past regulations into one single code that also contains a few interesting twists. There are a number of aspects of the TPRs, that even seasoned tax professionals struggle to interpret.

The TPRs clarify which expenditures and repairs on buildings can be written down and which must be depreciated over 39 or 27.5 years. It is very advantageous for the building owner or investor to write down as many repairs as possible. This is because they not only receive a one-time expense of the entire expenditure but will also have reduced capital gains upon the sale of the building.

Generally, they are as follows:

The expenditure (or renovation) can be expensed if it meets these criteria:

1. It was done more than two years after purchase
2. It did not make the component being repaired or replaced materially better
3. It affected less than 33% of all the like components.

There are also three Safe Harbors which allow certain expenditures to be expensed without IRS scrutiny:

1. The De Minimis Safe Harbor is for expenditures under $2500
2. The Small Taxpayer Safe Harbor covers many expenditures on buildings with a purchase price of under $1 million
3. The Routine Maintenance Safe Harbor is for expenditures that keep the building in its normal operating condition and will also have to be repeated at least once in the subsequent 10 years

The amazing opportunity is under code section 481A, if past expenditures (not De Minimis or Small Taxpayer) which are currently being depreciated would not be depreciated today, (based on the regulations), they can be expensed in the current year.

So, the regulations will positively affect the building owner or investor moving forward and in addition, they can create a permanent tax deduction right now.

Whether a property is newly bought, newly built, or even if its been owned for several years, it would be beneficial to have CSSI prepare a NO CHARGE Pre-Analysis estimate of tax savings. Please feel free to contact me, Jerry Lotz, at: jlotz@costseges.com, or 410-960-8269 for more information.

Swimming With the Sharks, Part III

by Jonathan Rivlin

In the latest installment of this series on the intricacies and inanities of IRC Section 7216, and its civil companion IRC Section 6713, we're going to jump ahead in the sequence from my original plan. The original plan was to continue the narrative of the story that would ultimately culminate in a set of action items for us to adopt in our practices. Due to the demands of our publication schedule, there just isn't time; you need to have these steps in place ahead of the coming tax season, not during or after it.

In this article we will talk about steps you should consider implementing in your practices. Due to space considerations, I won't be able to provide a great deal of context around the steps, but please know that there is a context and a reason for the steps.

Before getting into the steps, I want to acknowledge and thank Meg Manchester from Miles & Stockbridge for presenting a comprehensive and informative seminar to our society's members on Friday 27th September, 2019. For those members that attended, we received assurance on some matters and anxiety on others, but anxiety now can prevent heartache later. To those members that did not attend the seminar, you are swimming with sharks, whether you can see them or not.

Let's talk about the 'Use' portion of these statutes first, this part of Meg Manchester's seminar provided a bit of relief. To recap, the Use portion of the sections deal with advertising and solicitation. The general rule of this statute is to prohibit unauthorized use, unless consent is received, or if an exception applies.

As the statutes were enacted in 1971, with the first set of regulations adopted in 1974, an amendment made in 1989, another update in 2009, and a revenue procedure (2013-14) published in 2013, the statutes are and most likely will always be playing catchup with technology.

Prior to the seminar, I and other society members had questions about whether or not publishing a newsletter, sending a birthday card, or some type of 'tax news alert' would constitute a violation of this CRIMINAL statute. Exceptions adopted in 2009 now bring these types of use of our client's information out of the prohibited and into the allowed category.

This was a revelation, and a welcome one at that. And it contradicted the AICPA's published sample consent forms. The AICPA's sample consent forms specifically list newsletters, new hire notices, and similar types of communications as those needing consent, when the updated regs no longer require it. (CFR 301.7216-2(n)(1))

Here are some steps to take concerning Use for 1040 returns:

1) Make a list of all of your 1040 clients (something that is allowed by exception under the statute).

a. (CFR 301.7216-2(o)(1))

2) Make use of the AICPA's specimen consent forms, but consider editing the bullet points to remove the previously prohibited communications that are now allowed.

3) As you prepare for the coming tax season, add the Use consent form to the package that you send out to your clients (whether digital or paper). Note that Use consent must be a separate form from both the Disclosure consent and your engagement letter. Read IRS Rev Proc 2013-14 for more detailed information on things like font size and similar requirements.

4) In your client list that you created from step 1, add a column for whether or not the client returns a signed consent form, and another column for the date of signature. Track the date of signature, as consent is generally good for a period of one year from that date.

5) Create a second list that contains the info (name, email, address) of those clients, and only those clients

that consent.

6) Make sure that any marketing you do, that is beyond the excepted forms of communication, is only sent to those clients that have consented. You'll need to educate your marketing team about these rules! I would strongly suggest that you are careful in which consultants you retain for your firm's marketing efforts. We have so many regulatory considerations, that what works in other industries could get us imprisoned in our industry.

Other than that, there's not much else to the Use side. No consent, no use. Use the proper form. Track who consents and who doesn't.

Now for disclosure for 1040 returns:

1) Return to the list of your 1040 clients that you created from above and add another column to track disclosure consent. Track the date of signature, as consent is generally good for a period of one year from that date.

2) Make use of the AICPA's specimen consent forms.

3) You must use the language on the disclosure consent forms verbatim! Do not alter the language on these forms. Read IRS Rev Proc 2013-14 for more detailed information on things like font size and similar requirements.

4) Add this form as a separate page requiring a signature; separate from both the Use form and separate from your engagement letter.

5) Go into your tax software and set a password for all of your clients. Only remove the password for those clients that consent. This password is for internal use only, it will not face the same kind of pressures as a public facing password.

6) Go into your firm's portal and/or server and similar to #5 above, set staff permissions such that only those staff assigned to a certain client can 'see' that client on your server and/or portal. Apps like CanopyTax make this step super easy. Permission settings on a server, whether managed in-house, remotely, or cloud based, may require support from your IT company. The point of steps 5 and 6 is that only partners (and domestic/local based admins) can see all of the clients. Client info is only shared with your staff as the assignment or project comes up on the calendar, and most importantly:

7) Once the staff member has completed their tasks and the tax return is completed, the access needs to be removed. The reason for this step is that consent is only good for one year from date of signature. Best practice here is to make a habit as part of your review to simply restore the password in the tax software and remove access in your portal and/or server.

Note that we did not talk about disclosure to non-US based staff. These protocols are more about beefing up our general security.

For those firms that do make use of non-US based support staff, these protocols will help you remain in compliance (in part) with the disclosure requirements. As clients return a signed disclosure consent form, you simply remove the password in your tax software and make the client profile visible to your staff member in your portal, or enable a permission to the folder in your server.

Now, let's discuss non-1040 engagements:

Specifically, we're talking about income tax returns, not informational returns. Forms 1065, 1120, and 1120S are covered (as is 1040 of course, which was discussed above).

The application of these rules is a bit easier on the non-1040 side. Consent for disclosure can be obtained by including a clause within your engagement letter, a separate form is not needed.

Note that single member LLCs, sole proprietors, landlords (Schedule C, E, and F) filers are part of the 1040 series and therefore governed by the stricter requirements.

Also, let's note one significant difference in the form of disclosure consent for 1040 filers vs non-1040 filers: The 1040 disclosure consent requires you to list the name of the non-US person that will be receiving the information. The non-1040 side does not have such a requirement, just a mention that taxpayer information may be disclosed to a non-US person for purposes of tax preparation and/or other support on the tax engagement.

Now let's recap why you should be concerned about running afoul of the disclosure rules, even if you do not make use of non-US staff in your firms.

Your IT provider, your marketing consultant, your cloud based apps - in short, all the companies you rely on to help you operate your practice may put you in violation without your knowledge. You need to perform due diligence on these vendors AND notify them of their responsibilities under IRC Sect 7216 (which is your requirement - you have to notify anyone in your ecosystem with access to your client files that this rule applies to them, too.) (CFR 301.7216-2(d)(2))

This harsh and terrifying reality was discussed in the earlier installments of this series. How well do you know the companies that you do business with? How possible is it for us to ever know enough? We have to at least try.

For those firms that either already do use non-US support staff, or are considering it, before you do anything else, you MUST ensure that the non-US receiver of taxpayer information has proper security protocols in place, or else you cannot even request consent. The irony of all this is that there are situations where non-US providers will be more secure than their US based counterparts.

There is still so much more to discuss, but I wanted you to at least have this information going into tax season. Future installments on this subject will retrace how we arrived at the practical steps above, and will close out the series with a narrative to illustrate practical application.

We'll close this article with a warning. The rules use the words, "knowingly or recklessly". While most of us would not knowingly commit such an act, the word 'reckless' should give us pause. To put this in some context, I'm going to reach back, way back, to my Business Law I class with this quote, "Gross negligence is tantamount to constructive fraud" - or, if we do not take the time to learn about these rules and implement procedures thereon, we can potentially be found to be in violation by recklessness.

Did I mention this is a criminal statute with 1 year in jail per violation (multiply this by the number of clients...) OK, enough fear mongering; the point of all this is to beef up our security practices.

We are swimming with sharks. The ones we cannot see are the most dangerous. But we don't have to swim without one of those chain-mail like metal swim suits that experienced shark divers use.

Good luck with this tax season and I look forward to seeing you at our next annual convention. Suit up!

Jonathan Rivlin is a CPA practicing in the Baltimore metropolitan area. He has been a member of the MSATP since 2002 and currently serves as a Delegate on the Society's Board of Directors.

Planning For An Emergency

by Bob Boehner

Planning for an Emergency – Bob Boehner

Over the years of my involvement with the MSATP Solo and Small Firm Conference, one of the most repeated sessions discusses Contingency Planning. The frequency of the subject alludes to the importance, as well as, the various types of catastrophes that can occur. In addition, my work on the MSATP Assistance Committee has provided experience on the diversity of personal tragedies, from a broken writing hand, to an unexpected death of a sole practitioner.

One of these situations happened to a client of mine, it made me think that we as practitioners need to share some of our contingency planning ideas with our professional clients, as well as, our tax and accounting peers.

On the day before Christmas last year, my friend/client/personal physician called me from the York Hospital ICU. After he apologized for bothering me near the holiday, he proceeded to

explain to me that he was calling from the hospital, that he had been hit head on in a car accident and had the following broken bones: back, leg, ribs and both ankles.

Coincidentally, he had been driving to the same hospital to visit a fellow church member. I immediately began to think of things I had in place for such an emergency:

1) Did he have an agreement with another doctor to help each other's patients in the time of an emergency (many of us have a tax associate with a similar type of agreement);

2) Was there any group that might also provide professional services to assist during his time in the hospital and subsequent recovery (such as MSATP's

Assistance Committee);

3) Were his staff able to find information for those who might need to be notified (similar to an estate directory – bank, attorney, peers, insurance - names and phone numbers).

While it might be hard to find a tax preparer in tax season, it is almost impossible to find a doctor who has time for more than one office. We discussed the possibility of a semi-retired doctor, but they are rare. It is much easier for a tax professional to provide some emergency work than to find a fill-in for a physician.

He was able to find a doctor who would see his patients in their office and another doctor who would help with filling prescriptions. After several surgeries, my friend returned to his office in a wheelchair. He will have his third surgery on one ankle next week. We were able to secure reductions on his mortgage payments for a few months, until he was able to return to the office. His bank was very cooperative.

So we, as solo and small firm owners, need to create contingency plans for floods, earthquake, blizzards and power outages, as well as, medical emergencies.

We also should consider how we can share this type of thinking and planning with our similarly sized professional clients.

QBI Changes: How to Handle the Last-Minute IRS QBI Guidance Changes

by Bob Jennings

Right at the end of tax season the IRS decided to issue more QBI Guidance, some of which contradicts common sense and some of which clarifies what we have been telling you. Ron Roberson has updated our complete 2019 QBI class for all of this guidance and will be presenting it in a live webinar on June 3 at our Indiana office. To see a complete listing of other dates and methods for this course click here.

Here is a concise summary of the new QBI Q&A items:

The IRS has released two draft 2019 forms related to the QBI deduction: Form 8995-the Simplified Deduction calculation and Form 8995-A the QBI deduction.

In late April, 2019 the IRS released FAQ #27-33 to expand on previous guidance and where the IRS discusses the Code Sec. 199A deduction rules with respect to pass-through entities.

One of the question-and-answer items that caught tax practitioners (and Taxspeaker!) by surprise was Q&A-33, where the IRS states that if an S corporation shareholder takes the self-employed health insurance deduction for health insurance premiums paid by an S corporation for greater-than-2-percent shareholders, that deduction reduces qualified business income (QBI). The IRS notes that the self-employed health insurance deduction under Code Sec. 162(l) is considered attributable to a trade or business for purposes of Code Sec. 199A and will be a deduction in determining QBI. The IRS goes on to say that this "may result in QBI being reduced at both the entity and the shareholder level."

Taxspeaker disagrees with the IRS' holding on this deduction and we also note that an IRS FAQ is not considered a legal authority. Preparers who disagree with the IRS's position of double penalty on S corporation shareholders may consider disclosing this fact on the return.

Other Q&A previously or concurrently issued (#29) reduces K-1 QBI by amounts deducted at the 1040 level for things like unreimbursed partnership expenses, business interest, etc.

Q&A #22 states that statutory employees qualify for the QBI deduction and #20 states that material participation is not required to qualify for the deduction.

If you would like to learn more about QBI and other hot issues, you still have time to register for a 1040 Tax Speaker Seminar. For those who attend, you have the opportunity to purchase the USB at the GREAT PRICE of $99. Learn more about the USB on the next page.

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Evaluating the Headwinds To the Economic Outlook

by Carl Schwartz

The global economy faces its most challenging year in over a decade. Policymakers still have options, but can they use them effectively?

We've revised our forecasts and now expect the global economy to grow by just 2.3% next year, the lowest in ten years. That's not weak enough to be called a recession and it's certainly not comparable to 2009 (when global output contracted by 2%), but it does represent a material slowdown that could leave the world more vulnerable to adverse shocks.

Manufacturing Weakness vs. Consumer Resilience

Several factors make the global outlook more challenging than normal. Debt, demographics and anemic productivity growth mean the secular backdrop is weak. The trade war between the US and China has led to rising uncertainty and helped push global trade growth into negative territory for the first time since the global financial crisis (GFC).

It's not surprising that the worst-hit countries have been open economies with large manufacturing bases, like Europe and Japan. To date, this has been very much a manufacturing-led downturn—in contrast to downturns led by the consumer or financial cycle which have often mutated into deep recessions.

The good news is that consumer and capital spending have so far held up well, even in Europe. The bad news is that persistent weakness in manufacturing and trade could eventually spill over into investment and jobs, dragging overall growth lower. With trade tension here to stay and a possible US-led currency war on the horizon, it's hard to see a catalyst for a speedy turnaround in manufacturing.

Monetary Policy in a Negative Rate Environment

As ever, the first line of defense against a protracted slowdown in global growth is monetary policy. In this respect, it's comforting to see easing underway in China, the US and now the euro area, and we expect more of the same over the coming year.

But while pushing interest rates even lower and inflating balance sheets even further may give a short-term lift to asset prices, it's much less clear that this will have a material, positive impact on growth. That's a particular concern in Europe and Japan, where the rate structure is already negative and monetary policy may already be ineffective.

Challenging Outlook

Where does this leave us? Since contracting sharply during the GFC, the global economy has enjoyed 10 years of unbroken, if unspectacular, growth. We don't expect that to change next year. But a combination of weak secular growth, ongoing concerns about the future of the global trading system, declining policy effectiveness and lingering populist risks means that 2020 may be the most challenging year for the global economy since 2009.

Three Potential Surprises

So, is there anything that could breathe new life into the global economy and lead to a more positive outcome? Three channels could prompt better-than-expected growth next year: an end to the trade war, surprisingly effective monetary policy and fiscal policy riding to the rescue.

We remain cautious on all three. For example, we see the trade war as being a manifestation of two key secular trends—populism and geopolitical conflict between China and the West—rather than something that can be solved by a "tweet" or even the end of Donald Trump's presidency.

And while we have long thought the burden of supporting growth and inflation would eventually shift to fiscal policy, we need to see evidence that the transition will be fast enough and broad enough to make a material difference to 2020 growth. Still, we'll be monitoring this and other factors carefully.

For more on trends in the economy, markets, and asset allocation for long-term investors, explore The Pulse, a Bernstein podcast series, and for additional thought leadership, check out the related blogs here.

The views expressed herein do not constitute research, investment advice, or trade recommendations and do not necessarily represent the views of all AB portfolio-management teams.

The New — and Not Improved — Employees Withholding Allowance Certificate Form W4

by Al Giovetti

Life is most interesting when it is complicated, because those in government and those in the federal legislature) get involved with sending a message. Often the message is misleading, inaccurate, and most of all confusing, not just to the general public but also to the professionals that it impacts. This drama started with the disinformation concerning the "Tax Cuts and New Jobs Act" (TCJA).

A recent article by Yahoo Finance reports that, due to the TCJA, US corporations paid $91 billion less this year (2018) on their Federal corporate tax returns. Due to the requirement that all new tax legislation be revenue neutral, this money had to come from somewhere. The bad news contained in this Fox News article was that the Individual Income Tax Form 1040 filers were the ones that paid the bill – Federal Individual Income Taxes went up by $91 billion.

Those who paid the most were the taxpayers who resided in Democratic states (such as Maryland) who also had their state taxes raised, since not only couldn't they deduct the disallowed miscellaneous deductions, but most of the Democratic States could not itemize their state income taxes if they did not itemize on their federal income taxes. Some taxpayers found they could mitigate the problem a bit by electing to itemize on the federal return anyway, paying more federal tax, which they more than recouped by the reduction in state income taxes by being able to itemize on their state return. In most cases the state standard deduction was much less than the federal standard deduction.

I find it interesting that many states have obtained a windfall from the federal legislation but have done nothing to "de-couple" from the tax changes. The intelligent thing to do, which would benefit the most taxpayers and in my opinion would be "fair," would be to let individual income taxpayers itemize on their state individual income tax return even when they took the standard deduction on their federal individual income tax return.

Don't hold your breath, though – no one in Washington DC or in the state legislatures believes in fairness in taxation, and I believe that the states are enjoying the extra revenue windfall. If you are to believe the Democrats (incidentally, it is not very wise to believe any politicians), they say that the Republicans purposely targeted Democratic states. If this is true, the move backfired – the Democrats in those states are enjoying the increased tax revenues due to the TCJA.

In the middle of all this massive shift in what is deductible and what is no longer deductible, nothing has played out the way the Republicans said it would. One item that did not work out as promised is that American individual income taxpayers did NOT see NEW JOBS. Enough said.

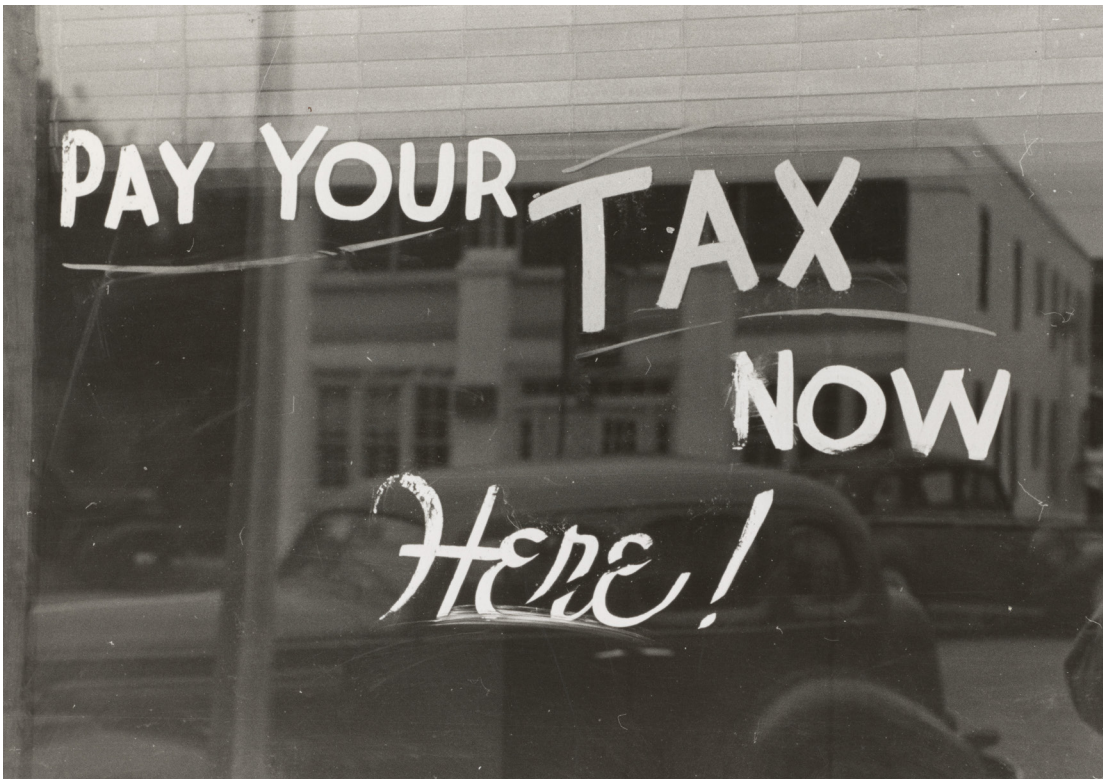
Many American taxpayers on the other hand have lost the ability to deduct expenses that they must have to do their jobs. Those whose industry requires entertainment, meals, and other perks have suffered. Those who need substantial safety clothing and remain unreimbursed by their companies are also suffering virtual pay cuts. Many companies no longer pay for boxes at sports stadiums, which has hurt American sports industries. Tax policy can affect taxpayers' ability to make a living, make ends meet, and simply get by.

In January 2017, I was able to meet with then Ways and Means Committee Chairman Kevin Brady (R-Texas). At that time, Brady and his staff explained why they decided to limit the SALT (State and Local Tax) deduction – their stated concern was that states with high SALTs were getting a bigger benefit on their federal tax returns than those with lower SALTs. Also, they were upset that the higher SALT states seemed to "mismanage" the money they were getting in higher rates, and the lower SALT tax states, with their

ostensibly higher federal tax liabilities, were "subsidizing" the higher SALT tax states with federal money. However, they completely (and conveniently) ignored the thinking that caused the deduction in the first place – that is, the Constitutional prohibition against double taxation.

So, effectively, Form 1040 individual taxpayers in Democratic states essentially paid more federal income taxes than in the past, when they could deduct the total amount of SALT, and those in the Republican states paid less federal income taxes. The reasoning is circular at best, and a bit ludicrous – are you laughing yet?

So along comes the W-4. It appears that the politicians and the IRS would like the American individual income taxpayers to believe that the reason they had as much as a $20,000 increase in federal and state individual income taxes was because they did not have enough withheld, since the "old" W-4 was out of date and a "new" simpler W-4 would solve all those problems. The disinformation machine is cranking out more confusing drama.



The problem with simplifying the W-4 is the same as it was before the TCJA. Anytime that an Individual Income Tax Form 1040 is impacted by more than one job, as is often seen with the Married Filing Jointly (MFJ) filing status where there are often two W-2s, the correct amount of withholding becomes too complicated for someone other than a tax accountant to come up with the correct amount of withholding. Add premature or normal retirement distributions, including social security, investment income, capital gains, and other additions to income and deductions, and it further complicates matters, confusing the average taxpayer.

Computing the withholding correctly in these more complicated situations requires the preparation of a projected income tax return for the current year. Complex tax returns are also beyond the expertise of the average taxpayer, much less the more complicated projected income tax returns that require estimates and projections. The average taxpayer simply does not have a firm grasp on the ever-changing and complex income tax laws.

The TCJA threw a monkey wrench into many taxpayers' individual income tax withholdings, but the problem was not due to a confusing and inaccurate tax form. There was a page two on the old W-4 which attempted to reduce a projected individual income tax form to a one-page calculation. The problem was, and still is – no matter how you change the W-4, taxpayers and paymasters lack the knowledge and training to do the W-4 withholding calculation correctly.

Let us go further with this. Most employees in the payroll department simply never see the consequences of their actions. The wide variety of training, talent, and foresight of these employees leads them to determine the correct withholding amounts based on what amounts to incomplete information. Additionally, HR department employees often do not prepare payroll withholdings in the same way, year to year, paycheck to paycheck, and employer to employer.

One of IRS' recent brilliant ideas was to dump the problem on the employer and their HR departments to come up with the correct withholding. Can I say this was a bad idea? For an HR employee to prepare the Form W-4 correctly, they would have to know everything that goes on someone's individual income tax Form 1040. How many employees want their employer and their colleagues in HR to have access to their retirement

information, information on their spouse's jobs, information on second and third jobs, their health information, all their itemized deductions (for those who can still itemize for federal and/or state purposes), investment information, etc.? Payroll departments and employers are ill equipped to provide accurate, informed, and confidential W-4 computations.

Taxpayer privacy issues, identity theft, and the filing of false and fraudulent tax returns with stolen taxpayer information further complicate the issue. The taxpayer has, or should have, the right to privacy, even from his or her employer. Shifting the burden to the employer to compute the correct withholding gives the employer access to personal financial information. The employer will be required to maintain a file of this information and perhaps even copies of documents in a file that might be compromised. For privacy reasons alone, the employer should not under any circumstances be involved in computing complex W-4s.

I disagree with many of the other organizations and tax experts who commented on the 2020 draft W-4 and Instructions asserting that a "simple" calculation that takes into account sources of income and deductions should be sufficient to "adequately" estimate the amount of needed withholding. From Taxpayer Advocate Service (of Internal Revenue Service): "More than half of individual taxpayers pay professionals to prepare their returns, and roughly 40 percent use tax software to assist them, with leading software packages typically

costing $50 or more." This data from the Taxpayer Advocate Service indicates that 90% of American Individual Taxpayers require assistance from professionals or software. The required calculations needed to estimate withholding are just as complex as preparing the individual income tax return (IITR), or even more complicated.

The very fact that most taxpayers feel overwhelmed by the sheer volume of knowledge needed that they have sought out professional help backs up the contention that a "simple" calculation of total income less anticipated deductions is NOT easy for the average taxpayer to complete or understand. It is unreasonable for the IRS to expect these average taxpayers to compute their withholding without professional help.

Roger Russell recently wrote in Accounting Today "The new W-4: More Trouble than It Is Worth." Russell clearly misunderstands the gravity of the taxpayers' withholding to the taxpayer and their financial health. Inaccurate withholding calculations can lead to repeated underpayments to the IRS, resulting in large multi-year tax liabilities. In order to get into compliance, which may be a requirement of keeping the taxpayers employed, requires that the taxpayers get into a payment plan with the IRS.

Existing and new IRS payment plans require that current year withholding is enough to fully pay the tax when the return is eventually filed. A subsequent deficiency in the income taxes for the current year invalidates the payment plan, requiring the taxpayer to renegotiate the plan for going out of compliance. These repeated yearly underpayments of individual income taxes and repeated annual negotiations for new payment plans plague taxpayers, who seek multiple jobs to deal with mounting debt over taxes and other financial problems associated with daily living.

Those taxpayers with more complicated income and deduction situations should be advised to go to their tax professional to compute the correct withholding on every income producing asset (for example investments or retirement plans, including social security) or work-related earnings. Taxpayers need to be made aware that large transactions such as a sale of assets (stock or real estate) require refiguring withholding or paying estimated income taxes, which are due four times a year on the 15th of the months of April, June, September and January. Not enough is being done in this area of informing taxpayers of their withholding and/or estimated tax payment obligations. We repeatedly see taxpayers who thought that no withholding was needed on Social Security, or that the 10% that is often withheld from pension distributions covered all the taxes due. We also see taxpayers who believe that, where stock is sold at a loss, there is no need to inform the tax accounting professional that the stock was sold at all, since there is no tax due on the transaction.

Many taxpayers believe that, since 10% tax was withheld and paid at the time of a premature withdrawal from a retirement plan, the taxes were "already paid," and the taxpayer need not inform the tax accounting professional preparing their returns of the premature withdrawal. These taxpayers often owe a 10% penalty in addition to the highest marginal tax rate of their income tax return, increasing both federal and state individual income tax liability. The various accounting societies around the country could help the IRS make taxpayers aware of their withholding and estimated tax payment responsibilities and avoid these misunderstandings.

Roger Russell refers to "the magnitude of the change" in the above-referenced article in Accounting Today. The magnitude of the change is the $91 billion increase to federal individual income taxes. Many taxpayers felt that the TCJA was an individual income tax cut, not an increase. These taxpayers felt that their refund would increase under TCJA.

The new W-4 should implement a back page for more complicated calculations that mimics the calculations on a Form 1040. Clear identification on the back page should indicate areas where the withholding may be inadequate. The old W-4 attempted to do this very thing. As I said previously, the only change caused by TCJA was an across-the-board increase in individual income tax that amounted to $91 billion on the federal Form 1040 for which the public was not prepared. The poorly calculated W4 was not the only thing that caught so many taxpayers flat-footed, unprepared and under-withheld.

My conclusion is that the IRS should stop telling taxpayers that they can prepare their individual income tax Forms 1040 and W-4 by themselves if they have more complex situations than one W-2.

Are you laughing yet? Please drop by and have a cup of joe, contact me at my office, or just grab my elbow at one of the breaks at MSATP seminars or events. I will be happy to discuss this further with you.

News From the Maryland Society of Accountants Scholarship Foundation

The Maryland Society of Accountants Scholarship Foundation, Inc. is pleased to announce the scholarship recipients for the 2019-2020 academic year:

Deborah Ayichi	University of Maryland College Park
Darius Enoch	University of Maryland College Park
William Freundel	Towson University
Vardan Gevorgyan	University of Maryland College Park
Jisue Gonzales	University of Maryland College Park
Rebekah Gutierrez	University of Maryland College Park
Christian Hauffman	McDaniel College
Cristiam Herrera	University of Maryland University College
Tiffany Liu	University of Baltimore
Ekaterina Missry	Towson University
Christopher Norman	Towson University
Lisa Puglisi	Towson University
Roberto Sanchez	Mount St. Mary's University
Allison Shumate	Salisbury University
Dante Steele	Towson University
Ngoc Kim Tang	Towson University
Sienna Wroten	Salisbury University

Scholarships to these outstanding applicants will total $31,000 for this academic year alone. Additionally, five of these students have been selected to receive special recognition awards at an upcoming seminar. Those students and their corresponding awards are listed below:

Ngoc Kim Tang	Sidney Weinberg Award
Christopher Norman	Melvin Menes Award
Allison Shumate	Norris "Dave" Crockett Award
Christian Hauffman	Donald R. Hull Award
Vardan Gevorgyan	George Spriggs Jr. Award

Fundraising efforts include candy sales, 50/50 raffles, annual wreath and holiday decorative pieces promotion, and general donations. To learn more about the MSA Scholarship Foundation or to make a donation, please visit msascholarships.org.

Because of your donations and continued support, we really can make a difference in the future of many students. We thank you and look forward to seeing you at an upcoming seminar!