Welcome to the Second Session...

...of the 114th Congress, that is. The House returned this week and the Senate will return next week. The State of the Union (often shorthanded SotU) address is next Wednesday and DC will be back in business.

We are still basking in the afterglow of our major legislative accomplishment: the EA credential legislation has become the law of the land. While the extenders bill (summary here), passed on December 18, 2015, included a number of significant provisions, our favorite one follows:

Section 410. Clarification of enrolled agent credentials. The provision permits enrolled agents approved by the IRS to use the designation "enrolled agent," "EA," or "E.A." The provision is effective on the date of enactment.

So what happens next? Ways and Means Chairman Kevin Brady (R-TX) says international tax reform and suggests that the extenders package could be the foundation for future tax reform. Others, including Finance Committee Chairman Orrin Hatch (R-UT) are not as sanguine. Election years are not conducive to such efforts and
the Congressional calendar, which is abbreviated with the Republican and Democratic national conventions, doesn't have much slack in it.

Parthing thought: as part of your filing season readiness, please, please, please review the literature on the extenders package - the December 18, 2015 E@lert is a decent place to start - which includes a number of goodies such as a de minimis safe harbor for errors on information returns and the ability to return certain tuition refunds into a section 529 plan.

**TAX ADMINISTRATION NEWS**

**IRS Sends IP PIN Letters with Wrong Tax Year**

While E@lert is reminded of "Oops I Did it Again," today's IRS miscue is a little more serious than that (then again nearly anything is more serious than Britney). Here's what EAs need to know: The CP 01A Notice dated January 4, 2016 is an identity protection PIN letter that includes an incorrect year. According to IRS:

> The notice incorrectly indicates the IP PIN issued is to be used for filing the 2014 tax return when the number is actually to be used for the 2015 tax return. Taxpayers and their tax professionals should use this PIN...for 2015 tax returns...

IRS provides FAQs [here](#). Otherwise, keep calm and tax expert on.

**Annual Return Preparer Letters Sent on December 29**

The Return Preparer Office last week sent 5,000 of the first letter and 2,500 of the other two letters:

- **Letter 5271**, which reminds preparers of their responsibilities when preparing returns that include the Child Tax Credit and the Additional Child Tax Credit.
- **Letter 5272**, which reminds preparers of their responsibilities when preparing returns that include the Child Tax Credit and the Additional Child Tax Credit when children with ITINs are involved.
- **Letter 5573**, which reminds credentialed return preparers to inquire about 1099-K income when they prepare Schedule C returns. (Letter 5574 on the same topic was sent to 5,000 non-credentialed return preparers in August. It was sent earlier because it encouraged the recipients to take CE on the topic and to consider participating in the Annual Filing Season Program.)

**And You Still Haven't Added a Health Care Compliance Line to Your Invoice?**

The first big issue is that IRS recently announced (via [Notice 2016-04](#)) a delay in the deadline for providing Form 1095-B (Health Coverage) and Form 1095-C (Employer-Provided Health Insurance Offer and Coverage) to individuals. The new deadline is March 31, 2016.

This change has caused a bit of handwringing in the tax professional community because some believe they must have Forms 1095-B and 1095-C in hand before filing. Fear not. IRS has [clarified in FAQs](#) on Forms 1095-A, 1095-B, and 1095-C that taxpayers do not need to have the forms before filing:

> If you are expecting to receive a Form 1095-A, you should wait to file your 2015 income tax return until you receive that form. However, it is not necessary to wait for Forms 1095-B or 1095-C in order to file.
Some taxpayers may not receive a Form 1095-B or Form 1095-C by the time they are ready to file their 2015 tax return. While the information on these forms may assist in preparing a return, they are not required. Individual taxpayers will generally not be affected by this extension and should file their returns as they normally would.

**Like last year, taxpayers can prepare and file their returns using other information about their health insurance.** You should not attach any of these forms to your tax return. [Bold added]

Further, in Health Care Tax Tip 2015-84, IRS provides eight facts about new ACA information statements (Form 1095-B and Form 1095-C).

Meanwhile, Notice 2016-02 provides information on who may claim the Health Coverage Tax Credit and the procedures to claim the HCTC for tax years 2014 and 2015. The notice includes a nine-part Q/A section, too. And Notice 2015-87 provides in Part II several pages worth of Q/A on HRAs (health reimbursement arrangements).

**PUBLIC AWARENESS**

NAEA announced that use of the EA credential by enrolled agents in good standing is now protected nationwide in the press release "Enrolled Agent Credential Now Protected by the PATH Act."


Wisconsin Public Radio (NPR) interviewed Mary Mellem, EA, on today's hottest tax topic -- how individuals are affected by the new tax extenders law.

Lots of NAEA members are quoted in the Accounting Today article "Time to Change the EITC?" Thanks to all who reached out to Jeff! Shirley Callahan, EA, Bill Nemeth, EA, Bill Stewart, EA, Arlene Rheinfelder, EA, and Laurie Ziegler, EA are quoted.

Eva Rosenberg, EA, was interviewed on Jim Blasingame's small business radio program, and she also wrote the article "How to Get a Big Tax Write-Off While Doing a Good Deed" for MarketWatch.

Down in Celebration, Florida (which sounds like a fun place!), NAEA member Patrick LeClaire, EA, is in the news for joining New Life Tax Resolution. The press release states that Patrick "helps individuals and businesses reach resolutions for their tax controversies so they can start afresh." Nice way to put it!

"Reasons Tax Pros Should Adopt E-Signatures This Tax Season," posted by CPA Practice Advisor, quotes Kristen Cecere, EA.

The article "Have a Burning Business Question? Ask the Expert: Tax Pro David McKeegan," seen on the Entrepreneur and Yahoo Finance websites, features David McKeegan, EA (clearly!).

Savvy Kiplinger's sends consumers to enrolled agents in order to beat out the fraudsters!

Interesting advice from Dave Ramsey in his blog on Tax Refund Heartache for Self-Filers: "People who worked with a tax expert to file their taxes received an average refund of $2,615! That's $840 more than the average self-filer!"

Bill Nemeth, EA, has been invited to serve on the Georgia Department of Revenue Practitioners Advisory Group as an official of GAEA.

EA Week Update
Big news! We gladly report that THREE more states have proclaimed an "EA Week!" New Mexico Governor Susana Martinez has proclaimed February 4-11 Enrolled Agents Week, Illinois Governor Bruce Rauner has proclaimed February 1-7 as Enrolled Agents Week, and this just in: Oregon Governor Kate Brown has declared the first week in February Enrolled Agents Week. Let's hear it for those outstanding affiliates!

GUIDANCE

Announcements
In Announcement 2016-02, IRS expands an exclusion from income for identity protection services provided to employees before a data breach occurs.

Announcement 2016-03 provides notice that IRS will not impose penalties under section 6721 or 6722 on eligible educational institutions required to file Forms 1098-T for the 2015 calendar year solely because they fail to include a student's correct TIN.

Revenue Ruling
In Rev. Rul. 2015-23 IRS keeps interest rates on overpayments and underpayments of tax the same. IRS has been issuing similar quarterly rulings for years, but we share this one because the recent Federal Reserve decisions might have led some to believe that IRS would follow suit.

Counsel Guidance
In a December 2015 Chief Counsel Notice (CC-2016-004), IRS in the wake of the PATH Act obsoletes an earlier Chief Counsel Notice (2014-007, Application of the Accuracy-Related or Fraud Penalty in Tax Court Cases Involving Disallowed Refundable Credits*). The new advice is that government attorneys should not follow Rand v. Commissioner, 141 T.C. 376 (2013) and should not concede section 6662 or section 6663 penalties passed on disallowed refund claims for erroneous refund credits when the stat notice of deficiency asserted those penalties on such amount(s). We recommend Procedurally Taxing for an in-depth dissection of the issue.

Other
Yesterday, IRS withdrew a notice of proposed rulemaking that would have allowed a statutory exemption to the "contemporaneous written acknowledgement"
requirement for substantiating charitable contributions of $250 or more. Charities would have been permitted - but not required - to provide information documents at the end of the year to donors. For what it's worth, E@lert never understood the controversy around the proposal, which was voluntary and filled a hole in section 170(f)(8)...but the public outcry (and proposed legislation blocking it) caused the Service to pull the plug. Diane Freda at BNA has the skinny.

STATE NEWS
Statehouse Roundup
E@lert is ready for another exciting year of state tax updates. We start the New Year with coverage of the enhanced MyFTB registration process for taxpayers and preparers handling tax matters in California, a potential personal income tax rate reduction in Massachusetts, and anticipated delays of individual income tax refunds for taxpayers in Illinois.

- On January 4, the Illinois Department of Revenue announced that the Department does not anticipate releasing individual income tax refunds for the 2016 filing season until March 1. Similar efforts were implemented during last year's filing season with "a net positive effect from those efforts in reducing fraud and identity theft." Refunds should be issued within two to three weeks from the March 1, 2016 date for returns filed electronically before that date. Taxpayers whose returns are filed electronically after that date can anticipate refunds being issued within two to three weeks from the date the returns are submitted.

- Also on January 4, the California Franchise Tax Board launched its enhanced MyFTB registration process to better protect taxpayer account information. You must re-register your account in 2016 in order to access your client's prior tax information. Additional information on the release can be found on the FTB website.

- On December 15, the Massachusetts Department of Revenue announced that state revenue growth has met the threshold needed to lower the personal income tax rate from 5.15 percent to 5.10 percent beginning January 1, 2016.

GOVERNMENT RELATIONS NEWS
Everything but the Kitchen Sink
While you've been celebrating the holidays and preparing for the 2016 filing season (including EA renewals for those of you with SSNs terminating in 0, 1, 2, or 3), we've found out why student loans are pricier than mortgages; why longer tweets won't make Twitter relevant; the periodic table's seventh row is complete; New York's Pennsylvania Station is getting a (much needed) overhaul; and everything you wanted to know about goatees but were afraid to ask. If that's not enough New Year's joy, we also have three week's worth of tax-related items - pulled especially for America's tax experts).

- National Taxpayer Advocate Nina Olson submitted her Annual Report to Congress. The report, which wags often suggest could double for a doorstop, is full of interesting observations. We recommend interested EAs start with the executive summary. (Here's USA Today on the report.)
Filing season tip: IRS is NOT requiring driver's license information on tax returns. Some states may require this information - we have asked IRS if we could get a list and are in the midst of a dialogue on that. Stay tuned...

Charles Schwab is providing mailing dates for its clients' information returns (hat tip to Henry Grabowski, EA). Other brokers are too (Vanguard is here) - if you have further information, please share so we can post for everyone!

IRS asks taxpayers to plan ahead if they need tax transcripts. E@lert wonders whether anyone at 1111 Constitution considers how silly some of the announcements sound: how do taxpayers plan ahead for the transcripts we need in order to represent them? Not to worry, we'll just fall back to 1980s fax technology...it's all good.

Here's why fundamental tax reform is very, very difficult.

The Wall Street Journal (outside the paywall) on how IRS is teed off at golf courses' conservation easement shenanigans.

Poor tax enforcement encourages people to cheat and other observations on the psychology of compliance.

Refunds are a big deal! Treasury Secretary Jack Lew and House Minority Leader Nancy Pelosi (D-CA) visited Intuit on Monday. Here's USA Today's take, including Intuit CEO's thoughts on financial responsibility for those receiving their largest check of the year.

The five New Years resolutions every tax pro needs to make.

The Tax Adviser on what the Supreme Court's decision in Maryland v. Wynne means for taxpayers who file returns in multiple states.

Procedurally Taxing on the PATH Act (the extenders bill) section 441 (new IRC 7441) that is a post-Kuretski "clarification" that the U.S. Tax Court is not an executive agency. In Kuretski, petitioners contended the Tax Court had been biased against them (or towards IRS) in a manner that infringes on Constitutional separation of powers.

The Journal of Accountancy takes a deeper dive into the PATH Act and reminds us that the extenders bill includes more than extenders.

LifeLock - you know, that company that drove around billboards with the CEO's SSN on them-agrees to pay a $100M fine for allegedly violating a settlement order with the FTC.

Your clients are reading USA Today, so you should be too: Ten biggest income tax changes to plan for in 2016 (ignore number 10 - the piece was written prior to the PATH Act).

As two-time former NAEA president Frank Degen, EA, USTCP, once said while we were discussing various tax foibles early in E@lert's tenure, "You can't make up this stuff!": the U.S. Tax Court has ruled that luring pigs with Kool Aid to an untimely demise counts as material participation.

Quote

"I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough: we must do."

--Leonardo da Vinci (1452-1519), Italian painter, architect, and engineer

ASSOCIATION NEWS

NAEA's Winter Webinar Series is Ready Whenever You Are!
Our Winter Webinar Series, presented by Canopy, is underway! Did you know that all of the webinars in this series are archived? If you missed one of the earlier installments - Ethics and Tax Preparer Penalties (2 CE hours), Reporting Foreign
Bank Accounts and Assets (2 CE hours), and 2015 Tax Update (4 CE hours) - you still have time to watch the webinars, take the exam, and earn CE!

Tanya R. Barber, EA, is the instructor of the Penalty Abatement Basics and Techniques" (2 CE hours) webinar on Thursday, January 14 at 11 a.m. ET. The series will conclude at 11 a.m. ET on Thursday, January 21 with "Late Breaking 2015 Tax News," (2 CE hours) led by David Mellem, EA. Can't make it on January 14 or 21? These webinars will be available via archive within 24 hours of the live presentation.

For more information on this series and to register for a webinar - or to access an archived version - click here.

NAEA Archives
After dusting off a few boxes, we discovered a treasure trove of old NAEA photos (remember when you actually had to get film developed??). Over the past few weeks, we've been having some #FlashbackFriday fun on our members-only Facebook page, uploading scans of these photos and asking folks to identify people and places. For those of you not on Facebook, these images are now available on NAEA's website. Relive those bygone days and enjoy the trip down memory lane!

2016 CCH Tax Guide Available to us at No Charge
The online 2016 CCH U.S. Master Tax Guide (MTG) is available to NAEA members at no charge through Paychex's Accountant Knowledge Center (AKC); the paper book sells for over $100. The AKC is a fantastic resource and all you need is a valid email address to get started.

NAEA Tax Research Service Password
To ensure members' only access and for security reasons, we must periodically change the password for this service. The new password is: Research2016. The username is still NAEA. This information is also available on the NAEA Web site here after you login. Future updates to password information will be listed on this page as well.

As a reminder, please do not make any changes on the "My Profile" page or attempt to change the username or password as this will lock-out all other users. We hope you find this members' only resource a valuable benefit as you navigate through tax season! Happy researching!
The Tax Show for the Tax Pro is Back
David Mellem, EA, and Kevin Huston, EA, USTCP, will appear on Tax Talk Today for Tax Update 2015, Part I: Individual Federal Tax Including ACA on Tuesday, January 12 from 2-3:50 p.m. ET. Don't despair if you aren't available that day -- the program will be available for viewing for 12 months after the live webcast. (Federal Tax Law Update -- 2 CE Hours).

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Client Tax Organizer
If you're looking for a tax checklist to send your clients detailing what they need to bring to their appointment with you, look no further than the NAEA website. Just log-in using your member ID and password, and go to the "Tools for Members" page. Or, even easier, just login to naea.org and follow this link. The document is available in Word, so you may personalize it and add your firm's contact information, or in PDF form, which looks jazzier! While you're on the Tools for Members section of the NAEA website, look around at all the resources there to help you promote the EA credential and your practice!

Now is the Time to Protect Your Practice with E&O Insurance
With tax season looming, now is the time to protect your tax practice from potential claims with the E&O insurance developed specifically for enrolled agents by CalSurance and NAEA. Get all the details of this successful professional liability insurance program at by going to the CalSurance/NAEA partner page. We keep hearing from members that they are getting more coverage for less money. Having heard a string of positive experiences from members, we want to hear what YOU think! Email us and let us know about your CalSurance experience!

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