Today's Speakers
AICPA Tax Policy & Advocacy Staff

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01 LEGISLATIVE OUTLOOK

02 ADVOCATING FOR MEMBER PRIORITIES

03 INFLATION REDUCTION ACT

04 STATEMENTS ON STANDARDS FOR TAX SERVICES
01 LEGISLATIVE OUTLOOK
### HOUSE OUTLOOK

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
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<tr>
<td>Democrats</td>
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<tr>
<td>Republicans</td>
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### Toss Ups

<table>
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<tr>
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### Likely Dem (1R)
- CA6
- CA21
- CA25
- CA9
- CA26
- CA7
- AKAL
- CA22
- CA27
- CA49
- IL13
- ME2
- MI1
- NY20
- NY25
- VA10
- WA6

### Likely GOP (R)
- CA6
- CA21
- CA25
- CA9
- CA26
- CA7
- AKAL
- CA22
- CA27
- CA49
- IL13
- ME2
- MI1
- NY20
- NY25
- VA10
- WA6

### SENATE OUTLOOK

<table>
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<td>Democrats</td>
<td>46</td>
</tr>
<tr>
<td>Republicans</td>
<td>47</td>
</tr>
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</table>

### Toss Ups

- CT: Blumenthal (D)
- VT: Open (D)
- CO: Bennet (D)
- WA: Murray (D)
- AZ: Kelly (D)
- GA: Warnock (D)
- NH: Hassan (D)
- NC: Open (R)
- NV: Cortez Masto (D)
- PA: Open (R)
- WI: Johnson (R)
- FL: Rubio (R)
- OH: Open (R)
- MO: Open (R)
- UT: Lee (R)
Lame Duck Session of Congress
Starts 11-9-2022
The Pessimistic Case:
How a Lame Duck Bill Falls Apart

• Those Post-Inflation Reduction Act Feelings
• Will November Election Results Be Decided by Lame Duck Session?
• Who Are The New Majorities?
• Did Democrats Already Get What They Needed?
ADVOCATING FOR MEMBER PRIORITIES
Good Day,

Hope you had a great weekend! It looks like someone from our team reached out a few weeks ago about the Employee Retention Credit (ERC). Just to confirm, as long as you had 3+ W-2 employees during 2020 and 2021 (not including yourself), you ABSOLUTELY are eligible for the ERC.

We never heard back from you and wanted to see what you wanted to do about the ERC money owed to you from the IRS Covid Relief Program. Do you want to proceed or do you prefer we don’t contact you again?

Just remember this is a refund on your payroll wages, NOT a loan. Average business gets back over $50k.

Thank you for your consideration,
WASHINGTON -- The Internal Revenue Service today warned employers to be wary of third parties who are advising them to claim the Employee Retention Credit (ERC) when they may not qualify. Some third parties are taking improper positions related to taxpayer eligibility for and computation of the credit.

AICPA's continued advocacy aimed at educating the IRS and Treasury on the unscrupulous business practices of ERC mills, and urging action has resulted in:

- Special processing of Forms 941-X > certain dollar amount
- Audits of Forms 941 and 941-X
- Public acknowledgement, communication and vehicle to report illegal ERC activities
How to Report Bad Actors

Employers warned to beware of third parties promoting improper Employee Retention Credit claims

To report tax-related illegal activities relating to ERC claims, submit Form 3949-A, Information Referral.

Also report instances of fraud and IRS-related phishing attempts to the Treasury Inspector General for Tax Administration at 800-366-4484.
Employee Retention Credit

While the ERC is an opportunity to consider for your business, the eligibility rules and credit calculations are complex with significant consequences if done improperly.

ERC Resource Library

- Chart — [ERC: Fact or Fiction?](#)
- Guidance — [ERC FAQs](#)
- Podcast — [Reconciling ERC claims with reality](#)

[www.aicpa.org/resources/toolkit/employee-retention-credit-guidance-and-resources](http://www.aicpa.org/resources/toolkit/employee-retention-credit-guidance-and-resources)
SECURE Act

- Eliminated “stretch” RMDs effective after 2019

Proposed Regs.

- RMDs for Designated Beneficiaries when Death Occurs Before the RBD
  - Payments must be made within 10 years of death
  - No annual payments required

- RMDs for Designated Beneficiaries when Death Occurs After the RBD
  - Payments must be made within 10 years of death
  - Annual payments required if not an Eligible Designated Beneficiary

IRS Notice 2022-53

- RMD transition rule: pushed start date back to “no earlier than 2023”

AICPA to IRS: Eliminate Annual Payment Requirement
Schedules K-2 & K-3

Details

• The Schedules are required if there are “relevant international items.”
• IRS guidance does not define “relevance.”
• Required information includes sourcing of income, deductions, foreign taxes paid or accrued, and international information required by TCJA.

Filing Issues for 2021

• Lack of *de minimis* rules and clear definition of relevance resulted in broad applicability.
• Complexity and transitional challenges; many professionals were not familiar with many of the technical rules required to complete the schedules.
• Software providers had difficulty implementing the new rules, with some still catching up.
• Difficulty in obtaining the identity and type of partners, especially in tiered partnership structures.
Schedules K-2 & K-3: Developments

2021
• FAQ 15 provided transitional relief for the 2021 tax year only, to provide an exception from filing Schedules K-2 and K-3 for certain passthrough entities that met specific conditions
• Exception was allowed for certain U.S. entities with no foreign activities or foreign partners/shareholders

2022
• IRS issued draft Schedules K-2 and K-3 for 2022 tax returns
• Draft instructions not yet issued
• Minor changes to the 2022 draft forms from the 2021 year
• Additional relief for taxpayers that would streamline compliance and provide exceptions from filing may be provided in the instructions
Schedules K-2 & K-3: AICPA Advocacy

- Provide broader exceptions for filing Schedules K-2 and K-3
- Make permanent the 2021 tentative exemption from filing Schedules K-2 and K-3 for certain domestic partnerships
- Reduce compliance burden required for foreign tax credit and limit to significant and relevant information
- Provide *de minimis* rule for certain information requirements
Access resources to advise clients on IRS Schedules K-2 and K-3, which are used to report items of international tax relevance from the operations of pass-through entities.

- Client information letter
- K-2/K-3 — Making sense of new international passthrough reporting | Tax Section Odyssey
- Transitional challenges for Schedules K-2 and K-3 | Tax Section Odyssey
- AICPA advocacy
- IRS guidance

www.aicpa.org/resources/toolkit/irs-schedules-k-2-and-k-3-guidance-and-resources
Virtual Currency/Digital Assets AICPA Tax Advocacy Efforts

- AICPA submitted comments need guidance on Form 1040 virtual currency question and instructions (8/29/22), draft 2022 Form 1040
- AICPA drafted comments on section 6045 and section 6050I guidance needed
- AICPA drafting comments on IRS guidance needed on:
  - Staking rewards and transition from Proof of Work to Proof of Stake
  - Taxation of Non-Fungible Tokens (NFTs)
  - How to transfer virtual currency for a valid gift
  - Abandonment and worthlessness losses
  - Lending virtual currency
  - Prior AICPA recommendations and additional issues
Virtual Currency/Digital Assets – Proposed Federal Legislation

AICPA monitoring and analyzing legislation

H.R. 7614, Digital Commodities Exchange Act of 2022
• Introduced April 2022
• Bill summary

S. 4356, Responsible Financial Innovation Act (a/k/a Lummis-Gillibrand bill)
• Introduced June 2022,
• Bill overview

S. 4760, Digital Commodities Consumer Protection Act of 2022
• Introduced August 2022
Virtual Currency/Digital Assets – State Tax Guidance

AICPA SALT TRP

• Developing tracking list of state tax authorities’ guidance on digital assets

National Conference of State Legislatures (NCSL)

• NCSL state tracking chart

Multistate Tax Commission (MTC)

• MTC Sales Tax on Digital Products Project and MTC draft detailed outline of white paper (9/1/22)
IRS Services: Developments

• Ramping up IRS service levels
  • Notice 2022-36
• Influencing IRS’ strategic direction
  • IRS report to Treasury on use of new funds
• IRS to initiate new pilot for PPS line
Failure to File Penalty Relief: IRS Notice 2022-36

- Automatic relief for failure to file penalties
- Applies for broad range of returns for 2019 and 2020 tax years
- Returns must be filed by Sept. 30, 2022
- More relief is needed
  - Extend filing deadline to Dec. 31, 2022
  - Expand scope of forms
  - Include other tax years
- IR 2022-185: Extended for disaster areas
IRA '22 $80B appropriations to IRS

- $25.30 B Operations Support
- $4.80 B Enforcement
- $3.20 B Taxpayer Services
- $1.10 B IT Modernization
- $45.60 B Other
GOP’s First Bill Would ‘Repeal 87,000 IRS Agents,’ McCarthy Says

If Republicans take control of the House in 2023, they will support the addition of 200,000 police officers nationwide, a 50 percent cut in permitting times for energy development, and full funding of border enforcement.

But first, they’ll go after the IRS.

“We’ll put it out to the entire country: This is what we’ll do,” House Minority Leader Kevin McCarthy told Fox News last week.
IRA ‘22 by the numbers

H.R. 5376 is designed to reduce the deficit, invest in domestic energy production, and lower healthcare drug costs.

August 16, 2022
Signed into law

$737 Billion
Expected to be raised

$437 Billion
Total investments

10+
AICPA Comment Letters
Major Components

- Corporate alternative minimum tax
- Excise tax on repurchase of corporate stock
- Extending the excess business loss limitation
- Funding the Internal Revenue Service and improving taxpayer compliance
- Clean energy tax credits and incentives
- Prescription drug pricing reform
- Part D improvements and maximum out-of-pocket cap for Medicare beneficiaries
Analyzing the business changes

• Corporate alternative minimum tax (book AMT)
• 1% excise tax on corporate stock buybacks
• Research & development tax credit for start-up businesses
• Clean energy tax credits and incentives
  • Extending existing tax credits and deductions
  • New tax credits
  • Boosting the new tax credits
  • Direct pay and transferability
Changes impacting individuals

- Limiting an individual taxpayer’s deduction of business losses
- Clean energy tax credits
- Prescription drug price reform
- Affordable Care Act (ACA) subsidy extension
Get the guidance and resources you need to understand how the Inflation Reduction Act affects your tax outlook today and beyond.

- Legislative summary
- Clean energy credits chart
- Energy tax credits and ESG client letter
- Inside look at the Inflation Reduction Act | Tax Section Odyssey
- New IRS funding in the Inflation Reduction Act | Tax Section Odyssey
- Advocacy

To keep pace with the evolving tax profession, the updates to the AICPA’s Statements on Standards for Tax Services (SSTs) will guide tax practitioners into the future and help them enhance their services and maintain their professional edge.

Learn more about the goals, timeline and FAQs for the proposed revisions and how you can provide input.
Revised Statements on Standards for Tax Services
An Exposure Draft and Invitation to Comment

Keeping pace with the evolving tax profession.
Revised Statements on Standards for Tax Services (SSTSS)

Exposure Draft (ED)

What are SSTSSs?
- Enforceable tax practice standards
- Foundation for reputational integrity

Why update?
- Align to the current state of the tax profession
- Address emerging needs
- Reinforce member reputation

What is proposed in ED?
- Reorganize SSTSSs by type of work performed
- Adopt three new standards related to
  - Data protection
  - Reliance on tools
  - Tax representation
Revised Statements on Standards for Tax Services (SSTSSs)

Invitation to Comment (ITC)

What is the ITC?
- Separate and independent from the ED
- Items that require additional research and investigation

What about QM?
- A key market differentiator
- Not a “one-size-fits-all” solution
- Thoughts are needed on the concept of quality management

What is the intent of the ITC?
- How to best implement the concept of quality management
- The appropriateness of future modifications to the SSTSSs or other guidance
Revised Statements on Standards for Tax Services

Exposure Draft and Invitation to Comment
Revised Statements on Standards for Tax Services (SSTSSs)

Comments requested

• Submit comments via our online form or email comments to SSTSScomments@aicpa-cima.com.
• Comment period for the ED and ITC ends on Dec. 31, 2022.
• If adopted, the proposed revision in the ED will be effective Jan. 1, 2024.
HOT TOPICS

1. Disaster Relief
2. Pass-through Entity (PTE)
   State Level Tax
3. Remote & Hybrid Workers
4. Improving Tax Practice Resiliency
5. Beneficial Ownership Information Reporting
National Tax & Sophisticated Tax Conference
October 31 – November 1
Washington, DC
+ Live online

Get the latest guidance on:
- Inflation Reduction Act
- Taxation of the newest intangible assets
- IRS’s new compliance initiatives
- And much, much more

$250 off 2-day conference with code: NTA250 +
$100 discount for Tax Section members

Register now! aicpa.org/nta
• Reconciling ERC claims with reality
• Inside look at the Inflation Reduction Act
• Q&A on ERC, tax legislation and IRS woes
• State implications with the PTE tax
• Transitional challenges for Schedules K-2 and K-3
• Finalizing tax returns when you don’t have all the answers
AICPA Town Hall Series

Join our Town Halls for latest news and updates on pressing issues facing the accounting profession.

- Led by AICPA executives Erik Asgeirsson, President & CEO, CPA.com, Lisa Simpson, VP Firm Services, and Sue Coffey, EVP Public Practice
- Free for AICPA members

Register now
aicpastore.com/townhallseries
AICPA Tax Policy & Advocacy Webpages

https://us.aicpa.org/advocacy/tax

https://us.aicpa.org/advocacy/tax/2022taxadvocacycommentletters.html
SALT Roadmap

Interactive tool to access state and local tax info in one central place

California pass-through entity/general business taxes:

Access California business tax information for compliance obligations.

California allows a pass-through entity tax election for taxable years beginning on or after Jan. 1, 2021, and before Jan. 1, 2026.

Mark your calendars for the next Tax Practice Quarterly webcast.

**Tax Practice Quarterly: 2022 Tax Ethics Update**
Nov. 16, 3pm ET (rebroadcast) | Webcast | 2 CPE credits

**Tax Practice Quarterly: 2023 Busy Season Readiness**
Dec. 7, 1pm ET | Webcast | 2 CPE credits

Tax Section members attend for free as part of their membership.
2022 Fall Tax Rewind

A quarterly roundup of the latest tax updates

Nov. 18, 1pm ET | Webcast | 2 CPE credits

Register today →
Accountants Liability: Balancing Risk and Reward (Tax Focus)

Nov. 16 and other dates available, 1pm ET | Webcast | 4 CPE credits

Register today →
Free for AICPA members

AICPA Washington Tax Brief

The latest news, advocacy, exclusive videos, resources and learning in one place

Feb 22, 2023, 1pm ET | Webcast | 1 CPE credit

Register today →