

Nationwide Tax Forums Online
January 25, 2008 Update Transcripts

SPEAKER 1: Hello. I'm Jane Agule, with the IRS National Public Liaison Office. There have been some recent tax law changes and updates. With me today, January 25, 2008, is Bob Erickson, Senior Technical Advisor, IRS Tax Forms and Publications, to discuss the AMT patch, mortgage debt relief, and how the changes relate to the presentations from the IRS Nationwide Tax Forums in August, 2007. Also with me is Bobby Zarin, Director, Customer Education and Outreach, Exempt Organizations, to discuss a new filing requirement for small tax-exempt organizations.

The President signed the Mortgage Forgiveness Debt Relief Act of 2007 on December 20, 2007; and he signed the Tax Increase Prevention Act on December 26, 2007. These changes affect the information on two seminars from our Nationwide Tax Forums Online – Understanding the Alternative Minimum Tax and Overview of 2007 Income Tax Law Changes. Bob will be providing updated information on slides 12, 20, 21, and 23 in the Overview of 2007 Income Tax Changes as well as slide 8 and the related information in the Alternative Minimum Tax presentation. Thanks for joining me, Bob. Let's start with the AMT.

What changes were made to the exemption amounts in the AMT?

SPEAKER 2: Well as I reported in the presentation, they were scheduled to actually go down significantly but instead they were increased. And the new amounts are \$44,350 for single individuals and those who are filing as head of household; \$66,250 for those who are married filing jointly or qualifying widow or widower; and \$33,125 for married taxpayers filing separately. This means that the number of taxpayers who will actually owe AMT for 2007, instead of going up substantially will stay roughly the same as it was for 2006. These increased amounts are shown on the new version of Form 6251 on line 29.

SPEAKER 1: Thanks for that information. Are there any other changes that taxpayers should know about the AMT patch legislation?

SPEAKER 2: Well, yes Jane. In fact, the changes affect a number of the personal tax credits. These personal tax credits that were not going to be allowed against the AMT now will be allowed against the AMT. And they include:

- the Child and Dependent Care Credit
- the Credit for the Elderly or Disabled
- Education credits
- Residential Energy credits
- the Mortgage Interest Credit

- and finally, the District of Columbia First-time Homebuyer Credit.

There are also changes that affect the order in which the credits are claimed as part of the AMT patch.

SPEAKER 1: Thanks for the information on that AMT patch. I know people are also very interested in the changes affecting the mortgage debt relief. What can you tell us about the latest developments in this area?

SPEAKER 2: Well the Mortgage Forgiveness Debt Relief Act of 2007 generally allows taxpayers to exclude income from the discharge of debt secured by their principal residence, or what we like to call at the IRS, their main home. This provision applies to debt discharged for calendar years 2007 through 2009. And only up to \$2 million. If you are married filing separately it's \$1 million. The amount excluded reduces the taxpayer's basis in their home. And the exclusion will generally apply to most taxpayers. However if the discharge was due to services performed for the lender or any other reason that's not directly related to the taxpayer's financial condition or the decline in the value of the home, then the exclusion will not apply.

SPEAKER 1: Well how does the taxpayer report this discharge of debt on their tax return?

SPEAKER 2: I am so glad you asked that, Jane. We have a Form 982 that is currently under revision that is used to report discharge of debt. We are revising that form right now and there will be a new checkbox added to the form, Box 1e, to report a discharge of this type of debt. In addition, there's a new line 10b that will be added and that's going to be used to show the reduction in the basis of the taxpayers home. It's very simple for the taxpayer to complete the form. In addition to filing out those 2 lines, they only need to show the amount of discharged debt on line 2 that qualifies for the exclusion. Then they attach it to their 1040 when they file their tax return for the year. Nothing else needs to be done once you have done that, as long as the debt qualifies for the exclusion.

SPEAKER 1: OK. What if the taxpayer receives a Form 1099-C from their lender and there is something in that box 2? What do they do then?

SPEAKER 2: Well that Box 2 shows that amount of discharged debt. Now in many cases, that is taxable. But in this case, if you meet the new principal residence indebtedness exclusion that amount won't mean anything because it won't be taxable. So the taxpayer doesn't need to worry just because they got a 1099C in that situation.

SPEAKER 1: Thank you for that. And then one other thing. H.R. 3221, the Renewable Energy and Energy Conservation Tax Act of 2007. You had reported that as pending legislation in August at the Tax Forums.

SPEAKER 2: Well that legislation was sort of wrapped up into another piece of legislation, which was H.R.6, the Energy Independence and Security Act of 2007. Most of the tax provisions, in fact just about all of them, were dropped from the original energy bill. The only one that remains is a provision regarding amortization for major integrated oil companies. So if you are not a major integrated oil company, you don't need to worry about the Energy Bill.

SPEAKER 1: Thank you so much Bob. Appreciate the information. And now onto another recent update. Bobby, what can you tell me about e-Postcards?

SPEAKER 3: Well, it's our nickname for a new filing requirement for small tax-exempt organizations. The formal name of the form is Form 990-N or Electronic Notice for Tax Exempt Organizations Not Required to File the Form 990 or 990-EZ. So you can see why we came up with the nickname.

SPEAKER 1: But why "e-Postcard"?

SPEAKER 3: Well, "e" stands for "electronic, because it is electronically filed. And "postcard", because it's simple to complete, and easy so it's like a postcard.

SPEAKER 1: What's on this postcard, "Having a great time, wish you were here!"?

SPEAKER 3: Well in a way, yes. In the past, small tax-exempt organizations had no filing requirement with the IRS. We might never have heard from some of them. They could have moved away or they have gone out of business and we wouldn't have known. But, the Pension Protection Act of 2006 instituted an annual notice requirement for these organizations. And it's to help us find out where they are and to confirm that they aren't large enough that they have to file the Form 990. So now they just have to send us the e-Postcard once a year telling us that they're fine and they're well and where they're living.

SPEAKER 1: And an e-Postcard will tell you that?

SPEAKER 3: Yes, it does. The e-Postcard asks for small bits of information like—

- the organization's legal name and any other commonly used names if it has them;
- current mailing address and website address, if it has a website;
- the EIN, which is the employer identification number;
- name and address of the principal officers; and
- a statement confirming that the organization's annual gross receipts are \$25,000 or less.

It's pretty simple.

SPEAKER 1: \$25,000 or less? What about the bigger guys?

SPEAKER 3: Oh, we hear from them too! But they can't file the e-Postcard. Larger tax-exempt organizations with annual gross receipts greater than \$25,000 generally have to file the comprehensive information return, the Form 990 or, if they're eligible, the shorter Form 990-EZ. Organizations with annual gross receipts of \$25,000 or less have to file the annual e-Postcard.

SPEAKER 1: And when should they file this e-Postcard?

SPEAKER 3: The e-Postcard is due the 15th day of the 5th month after the close of the tax year. So, for example, if an organization's tax year closes on December 31, the e-Postcard is due May 15, 2008.

SPEAKER 1: Can an organization file before the due date?

SPEAKER 3: Yes, as long as it files after the close of its tax year.

SPEAKER 1: And you say that e-Postcard is filed electronically?

SPEAKER 3: Yes, there is no paper form; it has to be filed electronically.

SPEAKER 1: So, let's say I run one of these small organizations. How would I file my organization's e-Postcard? Do I need special software?

SPEAKER 3: No, everything is done right over the Web. All you have to do is go to the "Charities & Non-Profit" page on IRS.GOV. Once you're there, you'll be directed to a link which will take you to the e-Postcard program. When you click on the link, you are routed to the website of our trusted partner, Urban Institute, where you can fill out and file the e-Postcard. It's really very easy.

SPEAKER 1: And how much does it cost to file an e-Postcard? 26 cents like a real postcard?

SPEAKER 3: Nope, it is free.

SPEAKER 1: OK. What if my organization doesn't have a computer? Then how do I file an e-Postcard?

SPEAKER 3: All you need to file the e-Postcard is a computer with Internet access. You can use your home computer, a friend's computer, or you can even go to the public library and use their computer.

SPEAKER 1: What happens if I don't file my e-Postcard on time?

SPEAKER 3: Well, we'll send you a reminder, but, unlike the Form 990 or the 990-EZ, there is no penalty or short-term consequence for filing a late e-Postcard.

SPEAKER 1: And the long term consequences?

SPEAKER 3: Well, if you don't file an e-Postcard, a Form 990, or a Form 990-EZ for three consecutive years, you automatically lose your tax-exempt status. And we can't simply reinstate you. You'd have to re-apply for exemption.

SPEAKER 1: And how would I find out more about e-Postcard?

SPEAKER 3: All you have to do is go to our website, the Charities and Non-Profit website at IRS.GOV. There you'll find frequently asked questions and other materials about the e-Postcard program. And, to make sure you stay abreast of the latest information, you should sign up for our email newsletter, EO Update. To sign up, go to IRS.GOV slash EO and click on EO Newsletter.

SPEAKER 1: So I can figure out e-Postcard, even if I'm not an enrolled agent, an attorney or a CPA?

SPEAKER 3: Not a problem—it's short, easy and electronic.

SPEAKER 1: Thank you so much. Remember, for the latest information, always check www.irs.gov. And for those viewing this through our Nationwide Tax Forum Online website, which is www.irstaxforumsonline.com, please return to the main page, select ENTER, and choose the seminar you would like to view.

And we thank you for your time.