

Fishing Information Newsletter

News You Can Use from the Internal Revenue Service
New England District

Volume 1, Issue 4

December 1999

Message from the Coordinator

In October we heard back from you, the readers, suggesting that we write an article on Capital Construction Fund in the commercial fishing industry. As you can imagine, this is an extensive area to cover and we found that the topic can fill several pages! As one of our goals was to keep the "FIN" to two pages in length, we'll be spreading the material over the next several newsletters. So, just like in the movies, we'll be back with CCF Part II, Part III, etc. Hang in there, because I think you'll find this an engaging subject.

As this is the last issue for the year, I wanted to wish you and yours a joyous holiday season and a healthy New Year. We hope to continue to receive your valuable feedback and ideas in the next century!

William E. Haas
IRS Fishing Project Coordinator
324 Harlow Street
Bangor, Maine 04401

E-mail: william.e.haas@ml.irs.gov
E-mail: fishing.assistance@ml.irs.gov
Phone: (207) 990-0645
Fax: (207) 990-3658

Capital Construction Fund (CCF)

The Capital Construction Fund (CCF) was created under a Merchant Marine Act to assist fisherman to acquire fishing vessels or improve a current vessel. It is jointly administered by the National Oceanic and Atmospheric Administration (NOAA) and the Internal Revenue Service (IRS).

The CCF program allows taxpayers to defer taxable income by making contributions to a NOAA approved depository and eventually use the accumulated funds for purchasing or improving fishing vessels.

CCF Eligibility Requirements

- ◆ You must be a U.S. citizen (individually), a corporation (the president and majority of the board must also be U.S. citizens), or a partnership 75% owned by U.S. citizens

- ◆ You must own or lease a vessel
- ◆ The vessel must be built in the U. S.
- ◆ The vessel must operate in the U.S. fisheries or in U.S. foreign trade, non-contiguous domestic trade (for example, Alaska to Seattle), or the Great Lakes.

Opening a CCF Account

Before opening a CCF, a contract is drawn up between you and NOAA that will establish:

- ◆ Agreement Vessels — A vessel will be designated as the income-producing vessel. A second vessel will be designated to receive the benefit of the CCF funds.
- ◆ Planned Use of Withdrawals — The planned use of the money in your CCF account to acquire, build, or rebuild a vessel must be identified.
- ◆ CCF Funds Depository — This is where you will set up your CCF account.

You can request an application kit, or get additional information from NOAA, by the following methods:

Mail:

CCF Program
Financial Services Division (F/SF2)
NOAA/National Marine Fisheries Service
1315 East-West Highway, 13th Floor
Silver Spring, MD 20910-3282

Telephone: Rick Van Gorder at: (301) 713-2393

Fax: (301) 713-1306

Tax Treatments of CCF Deposits

You can use a CCF account to defer income tax by making deposits to the CCF depositories. A deposit may be made which is the sum of the following sub-ceilings:

1. Lower of taxable income or, taxable income attributable to the operation of the income-producing vessel, plus,
2. Depreciation of the income-producing vessel, plus,
3. Net proceeds from the sale or other disposition of the income-producing vessel, plus,
4. The earnings from the CCF funds investment.

Tax Treatments of CCF Deposits (con't.)

The sum of 1 through 4 is eligible for deposit into the CCF. The ceiling for tax deferral is only the amount in Item 1. Deposits must be made by the due date of the tax return (plus any extensions).

You must report annual deposit and withdrawal activity to the National Marine Fisheries Service (NMFS) on NOAA Form 34-82. This form is due within 30 days after you file your federal income tax return.

Deductions

Individuals

To take the deduction, subtract the amount from the amount that would normally be entered on line 39 of Form 1040, *U.S. Individual Income Tax Return*. In the margin to the left of line 39, write "CCF" and the amount of these deposits. Do not deduct these CCF deposits on Form 1040, Schedule C, *Profit or Loss from Business (Sole Proprietorship)*, or C-EZ, *Profit or Loss from Business (Short Version)*.

If you deposit earnings from operations into your CCF account and you must complete other forms such as Form 6251, *Alternative Minimum Tax - Individuals*, or Schedule D worksheets, *Capital Gains and Losses*, you will need to make an extra computation. When the other form instructs you to use an amount from line 37 on Form 1040, do not use that amount. Instead, add lines 38 and 39 from Form 1040, and use that amount.

Self-Employment Tax

You must use your net profit or loss from your fishing business to figure your self-employment tax. Do not reduce your net profit or loss by any earnings from operations you deposit to your CCF account when you compute your self-employment tax.

Partnerships and S Corporations

The deduction for partnership earnings from operations that are deposited into a CCF account is separately stated on line 11, Form 1065, Schedule K, *U.S. Partnership Return Income*, and allocated to the partners on line 11 of Form 1065, Schedule K-1, *Partner's Shares of Income, Credits, Deductions, Etc.*

The deduction for S corporation earnings that are deposited is separately stated on line 10 of Form 1120S, Schedule K, and allocated to the shareholders on Form 1120S, Schedule K-1, *Shareholder's Share of Income, Credits, Deduction, etc.*, line 10.

CCF TO BE CONTINUED ~ JANUARY 2000

Important Dates to Remember

Fishermen

If at least two-thirds of your gross income for 1998 or 1999 was from fishing, you may want to pay at least two-thirds of your 1999 tax by **January 18, 2000**. This will allow you to wait until **April 17, 2000** (for those who file with the Andover IRS Center) to file your 1999 Form 1040 and pay the rest of the tax without penalty.

If you do not choose to use the above option, you can file your 1999 Form 1040 by **March 1, 2000** and pay your tax, in full, without penalty.

Fishing Boat Operators

Fishing boat operators must use Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*, to send copy A of Forms 1099MISC, *Miscellaneous Income*, to the IRS by **January 31, 2000**.

Taxpayer Advocate Service

Where's My Refund?!

Pat filed IRS Form 8849, *Claim for Refund of Excise Taxes*, to claim a refund of excise tax paid for fuel used in her commercial fishing boat. After waiting two months, she contacted IRS and was told that the refund claim was still being processed and the check should be issued within 30 days.

Sixty days later - well past the date promised - Pat called the IRS toll-free number again, as the refund had not arrived. After reviewing the account, the IRS customer service representative told Pat that he was referring the matter to the Taxpayer Advocate's area for special handling, as she had not received the refund by the date promised.

If you contacted the IRS about a problem and it remains unresolved, or if you are experiencing a hardship because of IRS treatment or delay, contact the Taxpayer Advocate Service - the voice at the IRS who will work independently to assist you. Call toll-free 1-877-777-4778.



Department of the Treasury
Internal Revenue Service

Publication **3432 (12/99)**

Catalog Number **26188F**

www.irs.gov