

Fishing Information Newsletter

News You Can Use from the Internal Revenue Service

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Message from the Coordinator

I am happy to announce that the Fishing Information Newsletter will now be coordinated and edited out of our Anchorage, Alaska IRS office.

This newsletter has grown considerably since it was first published out of our Bangor, Maine office as a publication written specifically for New England's commercial fishermen. We introduced the newsletter as a national publication in May of 2000. The Internal Revenue Service is committed to providing our commercial fishing industry community with pertinent tax related information. With the move to Anchorage, some of our most experienced and knowledgeable personnel will be directly involved with getting this tax information out to you, the reader, and will be better equipped to respond directly to your questions and concerns as it relates to commercial fishing issues.

It has been a pleasure serving as the "editor" of this newsletter during these past 10 months and I want to thank you for your questions and comments that have been the basis for several of the articles that have appeared in this publication.

As I have mentioned in the past, the content of this newsletter is largely dependent upon your input. Please continue to send us your topic ideas and questions and we will make certain they are addressed in future issues.

Mark Primoli
Former National Commercial Fishing Coordinator

Please send us your topic ideas and questions....

E-mail: joan.e.olmstead@irs.gov or
fishing.assistance@irs.gov

New FIN Coordinator at the Helm

Beginning with the April/May issue, Joan Olmstead will serve as the new coordinator and contact point for the Fishing Information Newsletter. Joan is the Technical Coordinator in our Anchorage, Alaska office and is anxious to hear about your concerns, questions, and comments. Here's how to reach her:

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Transfer of Permits

Clarification pointed out by one of our readers:

I am writing to offer clarification on a point mentioned in your February newsletter. In the "Transfer (of permits) due to death" section it says:

"This answer assumed that the husband was the sole owner of the permit. If both spouses owned the permit, then only 1/2 of the permit will receive a fair market value with a new 15-year amortization period. This is the half that section 1014(a) applies to and is portion the wife acquired from the husband after his death. The other half will continue to be amortized with the original basis and the remaining number of years as it remains the wife's portion of the asset. "

Many fishermen are from Washington State which has a community property law. Pursuant to IRC Section 1014(b)(6), they normally receive a step-up for both the deceased and the surviving spouse's in-

terest in property. I believe several other states (including California) have community property laws.

Proposed Legislation....

S. 162, introduced by Sen. Susan M. Collins, R-Maine, would provide commercial fishermen a tax credit up to \$1,500 toward the purchase of federally required safety equipment. Finance Committee member John F. Kerry, D-Mass., is the bill's main co-sponsor. Kerry urged passage of this "financial incentive to fishermen who are facing financial hardship as their fisheries recover, to invest in the replacement and inspection of their survival gear."

Frequently Asked Questions

Definition of Gross Income from Fishing

Q Are capital gains/losses from sales of assets within your fishing business considered to be "gross income from fishing" and thus exempted from quarterly filing of estimated tax payments if the amount results in more than two-thirds of your gross income?

A Gross income from Commercial fishing are amounts you receive from catching, taking, harvesting, cultivating, or farming fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal or vegetable life as well as monies from patronage dividends and fuel tax credits and refunds. These amounts would be reflected on a Schedule C (Form 1040). *(Note: if you receive wages as an employee in a fishing business--these are not considered as gross income from fishing.)*

Although the gains /losses may come from the sale of fishing assets, those proceeds should be reported on a Schedule D, thus not gross income from fishing. *(Pub. 595, Tax Highlights for Commercial Fishermen, page 5, section on Percentage from Fishing and What is Gross Income explains and provides examples)*

Q If two-thirds of your gross income is from fishing you are exempt from quarterly estimated tax payments. If your spouse's gross income is to be included, does this apply if you are filing "married filing joint" and "married filing separate"?

A You must add the spouse's gross income on a married filing joint return, however, it does not have to be included on married filing separate return. *(Caution: if filing "married filing separate", the non-fishing spouse may be subject to estimated tax provisions depending on sources, types of income, and amount of income tax withholding)*

Tax Assistance Hotline, Forms Hotline, Internet Access

Taxpayer Assistance

Phone Numbers:

(800) 829-1040 Seven days a week, 24 hours a day
(800) 829-4059 TTY/TDD (Hearing Impaired)
Seven days a week, 24 hours a day

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(800) 829-3676, seven days a week, 24 hours a day.
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IRS Internet Access

World Wide Web: www.irs.gov

The IRS Web Home Page allows convenient access to tax information 24 hours a day. The Web Site provides tax forms with instructions, publications, the latest tax law changes, and much more information for individuals and businesses.

If you change your E-mail Address.....

If you are receiving this newsletter electronically and you have changed your Internet provider, please remember to send us a quick note advising us of any change to your e-mail address.



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