

Welcome back to the Tax News & Tips Editor's Notes. In this edition, we discuss various issues your clients may be facing and some questions they may have about how elections relate to tax laws.

Page 1: Elections and Tax Law Changes

1031 Exchanges—We discussed what a 1031 exchange is and informed the client that while this provision is under political scrutiny, it is unlikely to be removed in its entirety.

Increased tax rates—We discussed that tax rates will go up if the Tax Cuts and Jobs Act is not extended.

Ending the Step-Up in Basis—This section discusses what a “step-up” in basis is and why it is unlikely to go away. Even if the step-up in basis is modified, we discuss that even the more aggressive political opinions on the issue would leave this provision in place for an inheritance worth less than a few million dollars.

No tax on tips—We discussed the likelihood that the provision would be instituted and the ambiguity surrounding bipartisan support for it.

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We discuss inherited IRAs and the tax implications of inherited IRAs in broad terms in the left-hand column. We also talk about Medicare premiums lookback on the right-hand column, some scenarios that may cause Medicare premiums to go up, and what your clients can do if they find themselves in a situation where their premiums may increase.

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We discuss a few tax scams to avoid that have been on the IRS's radar. One discussion surrounds the purchase of federal energy tax credits, and another addresses the mysterious “Self-Employed Tax Credit” (which doesn't really exist). In case you want to learn more, we have included a written discussion on buying or selling federal tax credits at the end of the editor's notes.

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On page 4, we discuss the Charles Littlejon case. This is the infamous case of an IRS contractor who leaked information on thousands of the highest net-worth taxpayers to two news outlets. Our truth versus myth talks about tax myths surrounding renting a residence and paying children to work in a family business.