

TAX ALERT

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August 5, 2015

Surface Transportation and Veterans Health Care Choice Improvement Act of 2015

Dear clients, colleagues and friends,

On Friday, July 31, the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (ACT) was signed into law. The Act, which was mainly intended as a temporary extension of the Highway Trust Fund, includes many important tax provisions. This Tax Alert provides some of the main highlights of the tax aspects of the Act.

Changes to the return due dates

Currently, corporate tax returns are due by the 15th day of the third month after the end of the corporation's tax year (for calendar-year corporations, the initial due date is March 15 following the yearend). Also, currently partnership returns are due by the 15th day of the fourth month after the end of the partnership's tax year (for calendar-year partnerships, the initial due date is April 15 following the yearend).

The Act changes due dates for partnerships and C-corporations. No due-date changes were made with respect to S-corporations.

Partnerships and S-corporations will now have an initial filing deadline of 15th day of the third month after the end of the tax year. Accordingly, partnerships and S-corporations with a calendar year will have to file by March 15 following the yearend. A six-month extension is available.

The Act also changes the filing deadline for C-corporations to the 15th day of the fourth month after the end of the tax year. Accordingly calendar year C-corporations will have to file by April 15 following the yearend.

These changes are effective for tax years beginning after Dec. 31, 2015 (for calendar year entities, this will be for the year ended Dec. 31, 2016). For calendar-year C-corporations, the filing deadline is postponed from March 15 to April 15. However, the extended deadline remains Sept. 15.

For June 30 yearend C-corporations, no deadline changes apply until 2026, so the original due date remains Sept. 15 and the extended due date remains March 15. For C-corporations with a yearend other than Dec. 31 or June 30, the original due date is the 15th day of the fourth month after yearend. Corporations will be allowed a six-month extension, except that calendar-year corporations would get a five-month extension until 2026, and corporations with a June 30 yearend would get a seven-month extension until 2026.

For Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts (Form 3520) the due date under the new law will be April 15, with a six-month extension.

Basis conformity and information reporting requirements for inherited property

The Act requires that the fair-market value that sets the basis for any property acquired from a decedent be consistent for the value of that property for estate-tax purposes. Effective for property with respect to which an estate tax return is filed after July 31, 2015, the basis of any property inherited cannot exceed the value reported on the estate tax return.

Additionally, the Act requires new information reporting for inherited property for which an estate tax return is filed after July 31, 2015. The Act obligates the executor of any estate required to file an estate tax return to furnish to IRS and to the recipients of the inherited property a statement identifying the value of the property as reported on the estate tax return.

The statement must be provided no later than the earlier of 30 days after the estate tax return was required to be filed (including extensions) or 30 days after filing the estate tax return.

New FinCEN report due date

Beginning for tax years after Dec. 31, 2015, FinCEN Form 114, Report of Foreign Bank and Financial Accounts, will have a due date of April 15 with a maximum extension for a six-month period ending on Oct. 15. This is a significant change to the current rules which required a filing no later than on June 30 with no extension available.

Statute of limitation is extended to six years for basis overstatement

Generally, the IRS may examine income tax returns for a period of three years after the later of the date the tax return was filed or the due date of the tax return (three-year statute of limitation). However, the statute of limitation is extended to six years when a taxpayer “omits from gross income” an amount that’s greater than 25 percent of the amount of gross income reported in the return.

The Act treats overstatement of cost or basis as an understatement of gross income for purposes of the six-year statute of limitations period.

New mortgage reporting requirements

The Act requires mortgage servicers to provide additional information to the IRS including:

1. The name and address of the individual from whom the interest was received
2. The amount of such interest (other than points) received for the calendar year
3. The amount of points on the mortgage received during the calendar year and whether such points were paid directly by the borrower
4. Other information required by the IRS

The new mortgage reporting requirements will apply to information returns required to be furnished after Dec. 31, 2016.

Please contact your Green Hasson Janks tax advisor for additional information.

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