



alliantgroup®

LEGISLATIVE, POLICY AND TAX
UPDATE FROM WASHINGTON, D.C.

Presented by: Steven Miller

OUR MISSION

Our mission as a national tax advisory firm is to work with businesses and their CPAs to identify **POWERFUL**, government-sponsored tax **CREDITS** and deductions. alliantgroup's specialty tax services allow businesses to **REDUCE** pending or past **TAX** liability and receive cash back for qualifying activities.

3 BILLION

IN CREDITS &
INCENTIVES FOUND

OVER
15,000

CREDIT & INCENTIVE
STUDIES
COMPLETED

OVER
3,500

CPA FIRM
PARTNERSHIPS

OVER
60,000

JOBS CREATED

Our Services



FEDERAL & STATE
R&D TAX CREDITS



ENERGY
INCENTIVES



FEDERAL EXPORT
INCENTIVES



ALLIANTNATIONAL
(TAX
CONTROVERSY
SERVICES)



STEVEN MILLER

**alliantgroup National Director
of Tax; Former IRS Acting
Commissioner**

Deputy Commissioner for Services
and Enforcement, leading all IRS
enforcement and service activity

Commissioner for the Large and Mid-
Size Business Division, overseeing
IRS audits

Commissioner for Tax Exempt and
Government Entities Division

25 years with the IRS with experience
at all levels

Legislative Counsel, Joint Committee
on Taxation, Congress



MARK W. EVERSON
Former IRS Commissioner;
alliantgroup Vice Chairman



STEVEN MILLER
Former IRS Acting Commissioner;
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KATHY PETRONCHAK
Former IRS Commissioner of
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CATHY BARRE
Former IRS Senior Advisor to
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JIM RAMSTAD
Former U.S. Congressman and Chairman
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BLANCHE LINCOLN
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BOB RILEY
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KIT BOND
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DAWN LEVY
Former Counsel to the U.S.
Senate Finance Committee;
alliantgroup Director



BOB PRATZEL
Former HOK CFO;
*alliantgroup Strategic Advisory
Board Member*

LEGISLATIVE UPDATE EXTENDERS

2014

- One year extension (retro) – already over
- 179d; accelerated depreciation
- R&D
- 179D
- New markets credit
- WOTC

LEGISLATIVE UPDATE TAX REFORM

Tax reform – where are we?

- Camp – international, pass-throughs, financial products – Camp gone
- Baucus – now ambassador to China
- Wyden – minority
- New team: Hatch and Paul Ryan
- Leadership – Senate and House
- White House
- Business v. corporate
- Revenue neutral, raise and dynamic

Tax reform – the details

- Corporate taxes lower (but need to share the benefits of growth – and pass-throughs)
- Eliminate deductions
- 199 - ?
- Territorial system – well maybe
- Tax pass-throughs (greater than \$50 million) and S-corp (Edwards) tax?
- Tax-exempts (AARP)
- 179d
- Accelerated depreciation
- Individuals – cap for higher income on deductions
- Repatriation (carrot meet stick)
- Debt v. equity
- Insurance
- Large pass-throughs
- Carried interest
- LIFO
- IC-DISC
- Extenders?
- Estate

SO...IS REFORM GOING TO HAPPEN?

- Senate working groups
 - House
 - White House
 - Presidential elections
-
- Current – do nothing and then extenders
 - Extenders – 2015/2016 – AMT for R&D; 179D expansion (maybe).
This Fall.

Health care – ACA

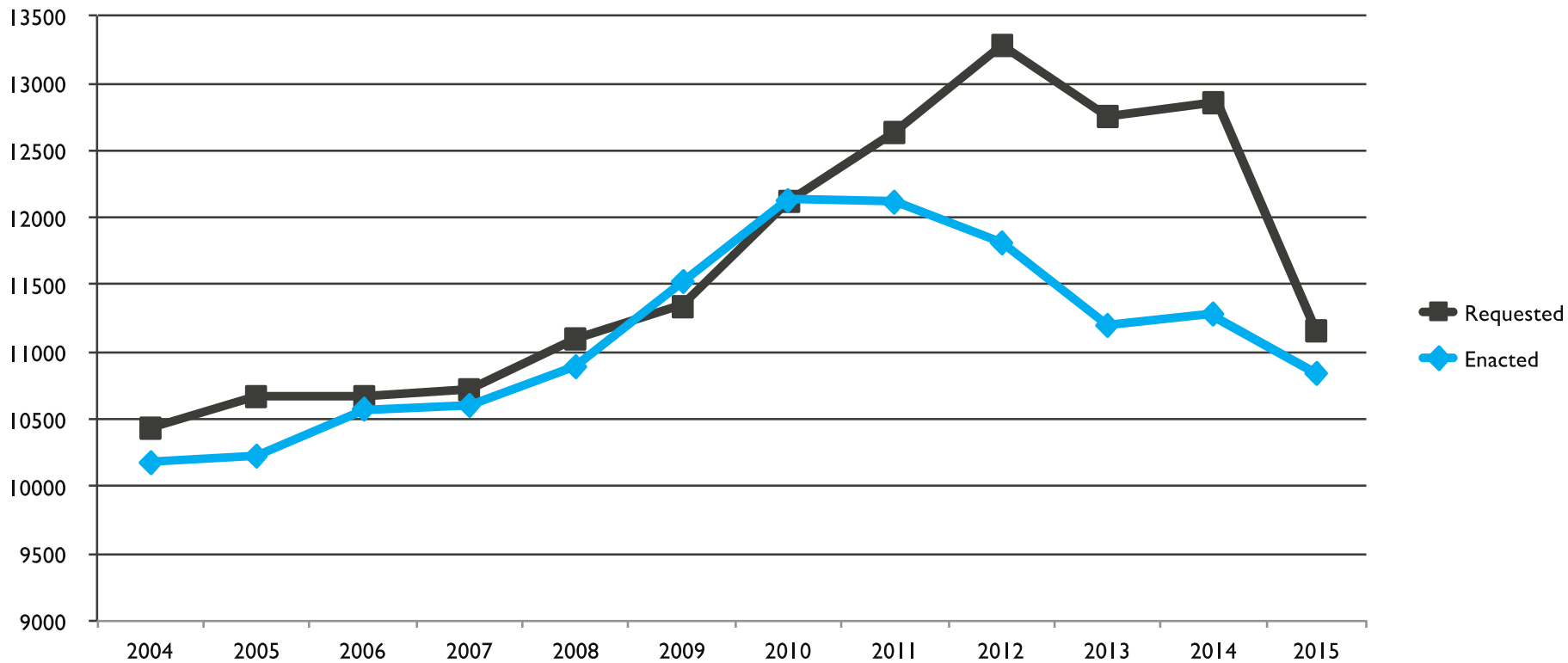
- Not going away – don't want better – don't want to open up
- Taxable payments for premiums
- Premiums/deductions for spouses/dependents
- Maybe change in number of hours for employment
- What are you seeing?
- Medical Device Tax
- Supreme Court Case

STATE OF THE IRS

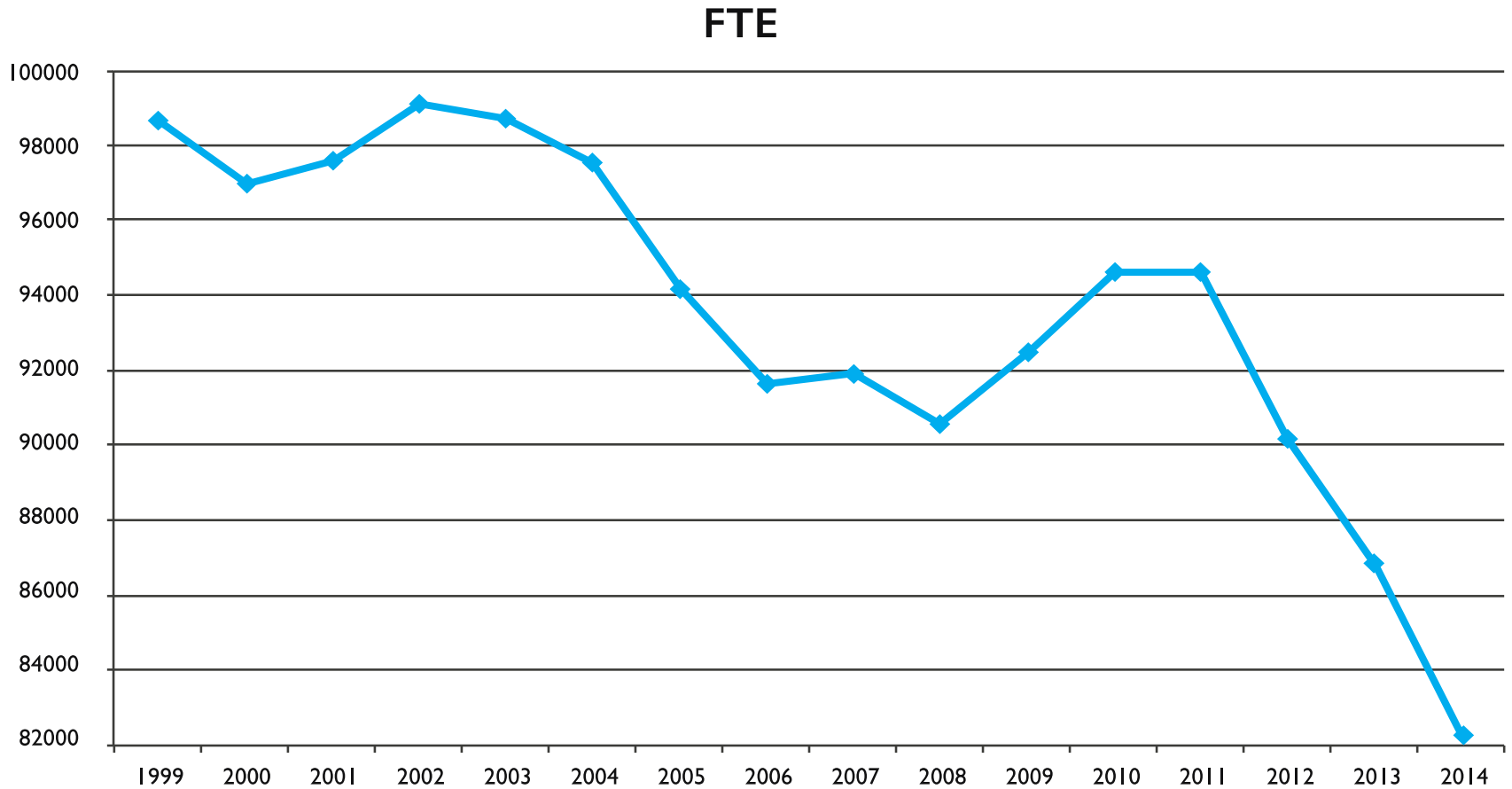
- The budget and its implications
- Focus areas going forward

IRS Budget in Decline

IRS Budget
(US \$MM)

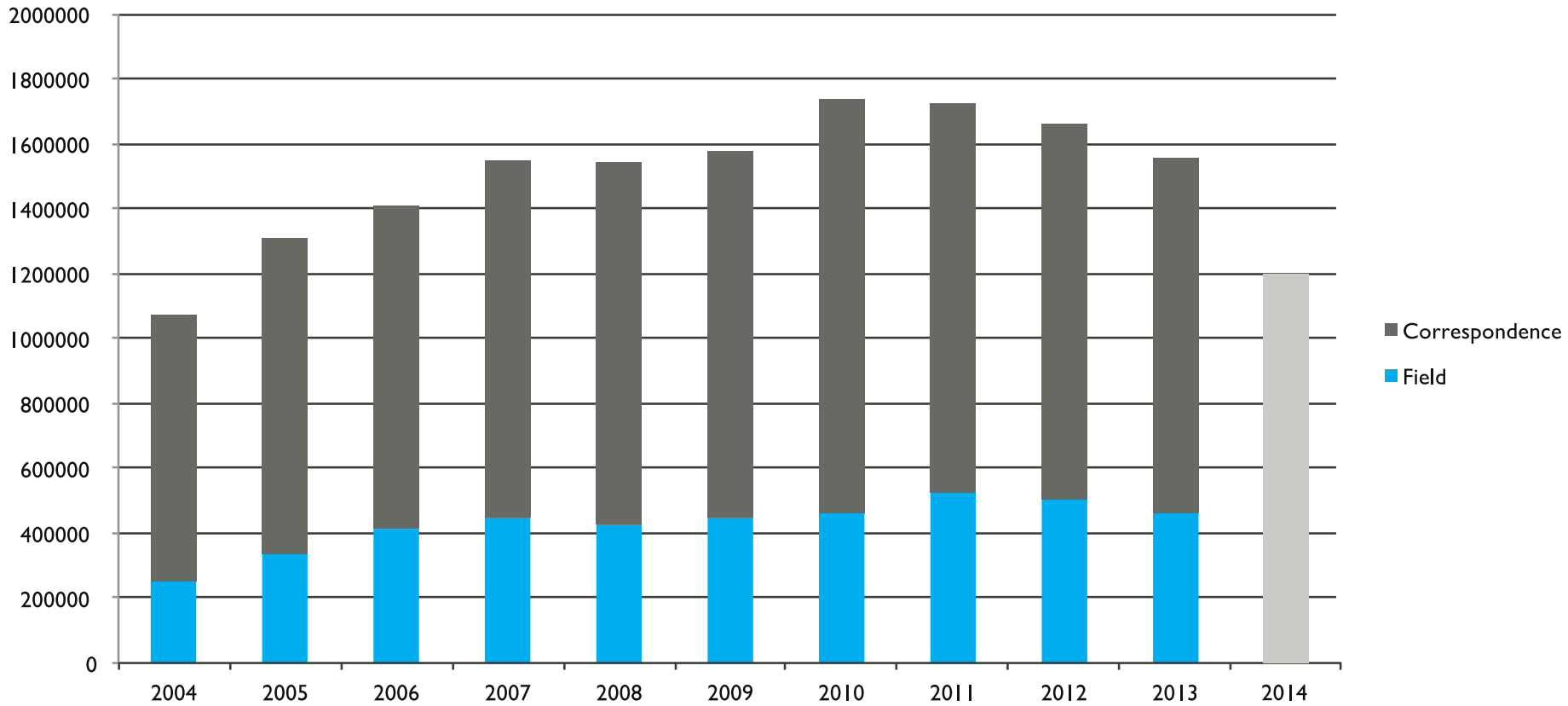


Staffing Trends Show Decline in Budget



Total Examinations

Total Examinations



So what does this mean?

- Enforcement- continued decline in exams and notices
- Service- levels will continue to decline
 - Priority practitioner line
 - Further restrictions on types of calls answered
 - Other
- Organizational structure
- IT (ACA, FATCA yes—RRP, IRDM delayed)

What the future holds continued/new focus areas

- ACA
- Return fraud/identity theft
- International
- Small captive insurance companies

Focus area: ACA

- What is happening?
 - Employer and individual mandates
 - Reporting matters
 - Upcoming issues
 - 105(h)
 - Cadillac plan tax
 - King premium credit case
 - Enforcement

Refund fraud – the perils of identity theft

- The numbers remain high
- The IRS response to date
- New approaches in 2015 and beyond

International tax issues

- FATCA
 - Status update
 - New deadlines
- THE OECD ONGOING WORK
- Offshore enforcement
 - Banks, whistleblowers, treaties
- Offshore programs—time to come in

What are small captive insurance companies?

- The “small” designation refers to small insurance companies described in Code Section 831(b)
- The captive must meet several tests to qualify under section 831(b). Among these:
 - A timely election
 - There is a limit on net premiums that can be received
 - There must be a business purpose outside of tax
 - The captive must provide insurance and meet definition of insurance company
 - The captive must look and act like a third party insurance company

IR-2015-19

February 3, 2015

- Abusive tax shelters on the IRS “Dirty Dozen” list of tax scams for the 2015 filing season
- Captive Insurance
 - “Another abuse involving a legitimate tax structure involves certain small or ‘micro’ captive insurance companies.”
 - “The promoters manage the entities’ captive insurance companies... assisting taxpayers unsophisticated in insurance to continue the charade.”

The current IRS approach

- The IRS is engaged in numerous promoter and client audits, as well as third party contacts
- Audits and third party contacts are using similar IDRs/content and appear to be coordinated
- Focus—
 - Is the product insurance?
 - Does the captive look like an insurance company?
 - Is there an arms-length relationship between the captive and the insured(s)?

What can you do today

- If you have 831(b) captives now:
 - Look into whether it is with a manager currently involved in a promoter audit
- If you have 831(b) captives in audit now:
 - Ensure adequate substantiation and build out of insurance documentation
 - Get some help



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**Thank
you.**