Charitable Contributions and IRS Action

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Charitable Contributions for High-Income Taxpayers

By: Sidney Kess, CPA, J.D., LL.M

The government views those with income of $200,000 or more as "high-income taxpayers," and charitable contributions are a popular write-off for this group of individuals. For 2015 (the most recent year for which statistics are available), the average charitable contribution deduction for those with adjusted gross income (AGI) of $200,000 to under $250,000 was $11,370. For those with AGI of $250,000 or more, the average deduction was $16,580. In this period of tax uncertainty resulting from Congressional goals of tax reform, what can high-income taxpayers do to maximize their tax-advantaged giving opportunities?

Tax Rules for Charitable Contributions

High-income taxpayers should understand the basic charitable contribution rules for federal income tax purposes, which are fairly straightforward (Code Sec. 170):

• A taxpayer must itemize deductions. No above-the-line deduction for non-itemizers is allowed.
• Donations must go to an IRS-recognized charity, which can be found in Publication 78 online (https://www.irs.gov/charities-non-profits/organizations-eligible-to-receive-tax-deductible-charitable-contributions).
• A taxpayer must follow substantiation rules, with may include obtaining written acknowledgments from the charity and qualified appraisals from outside appraisers.
• Cash donations are limited to 50% of adjusted gross income. Donations of appreciated property usually are limited to 30% of AGI (with the exception of donations of conservation easements explained later). Deductions in excess of these limits can be carried forward for up to five years.
• The deduction for charitable contributions is subject to the phase-out of itemized deductions for high-income taxpayers. This means that the tax write-off for contributions can be reduced by as much as 80%.

Conservation Easements

Conservation easements are a type of special arrangement to let taxpayers have their cake and eat it too. Property owners can give away interests, take a tax deduction, and continue to enjoy the property.

To be deductible, the donation must be a contribution of a qualified real property interest (i.e., a restriction granted in perpetuity on the use which may be made of the real property) to a qualified organization exclusively for conservation purposes (Code Sec. 170(h) and Reg. §1.170A-14). The types of conservation contributions include:

• Preservation of land areas for outdoor recreation by, or the education of, the general public.
• Protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem.
• Preservation of open space (including farmland and forest land).
• Preservation of a historically important land area or a certified historic structure (such as a building façade).

Donations of conservation easements are limited to 50%of AGI minus the deduction for other charitable contributions. Any excess amount can be carried forward for up to 15 years. For donations by farmers and ranchers, the AGI limit is 100%, rather than the usual 50%, with the same 15-year carryover.

However, the IRS has made syndicated conservation easements a reportable transaction that must be disclosed on a taxpayer's return and may invite IRS scrutiny (Notice 2017-10, IRB 2017-4, 544). For more details about conservation easements in general, see the IRS's Conservation Easement Audit Technique Guide (https://www.irs.gov/pub/irs-utl/conservation_easement.pdf).

Qualified Charitable Distributions
An IRA owner who is at least age 70½ has an additional way to give to charity. They can make a qualified charitable distribution (QCD) of up to $100,000 annually from the IRA (Code Sec. 408(d)(8)). The distribution is not taxed, and can be counted toward a required minimum distribution (RMD). But no charitable contribution deduction can be taken; no double tax break is allowed.

QCDs are restricted to regular IRAs. They cannot be made from IRA-type accounts, such as SEP-IRAs or SIMPLE-IRAs.

Donor-Advised Funds
A donor-advised fund is a fund or account in which a donor can advise but not dictate how to distribute or invest amounts held in the fund (Code Sec. 170(f)(18)). Usually, a taxpayer giving cash or property to a donor-advised fund can take an immediate tax deduction even though the funds have not yet been disbursed to a charity.

Donor-advised funds from some major brokerage firms and mutual funds have minimum contribution amounts and fees.

Business Donations
High-income taxpayers may own businesses that can make donations.

- For C corporations, donations are limited to 10% of taxable income.
- For owners of pass-through entities, their share of the businesses' donations is reported on their personal returns.

Usually, donations of inventory are deductible to the extent of the lesser of the fair market value on the date of the contribution or its basis (typically cost). If the cost of donated inventory is not included in your opening inventory, the inventory's basis is zero so no deduction can be claimed. However, businesses that donate inventory for the care of the ill, the needy, or infants, an enhanced deduction is allowed (Code Sec. 170(e)(3)).

Leave-based donation programs. Companies may have programs that enable employees to donate their unused personal, sick, or vacation days, with this time used by other employees in

medical emergencies or disasters. Donated leave time is taxable compensation to the donors, subject to payroll taxes. Employees cannot take any charitable contribution for their donations.

A special rule applies for donations to benefit victims of Hurricane Harvey. The IRS has guidance (https://www.irs.gov/pub/irs-drop/n-17-48.pdf) on the tax treatment of these leave-based donation programs. Employees are not taxed on their donations for this purpose, and no employment taxes are owed on employee contributions for this purpose. Employer can then donate the amount of these donations to a charity providing relief to victims of Hurricane Harvey and claim a tax deduction for this action. Employer donations to tax-exempt organizations must be made before January 1, 2019.

Other Rules
There are many variations on charitable giving, each with special tax ramifications. Some examples:

• Donations of appreciated property held more than one year are deductible at the property's fair market value on the date of the contribution. Potential capital gain is never recognized.
• Donations can be arranged through special trusts, such as charitable remainder trusts. The donor (and spouse) can enjoy the property for life (or a term of years), with the remainder passed to a named charity. The donor can take a current deduction for the present value of the remainder interest. Another trust option is the charitable lead trust.
• Wealthy individuals can set up their own private foundations to further their philanthropic goals. Special tax rules apply to these foundations.

Year-End Tax Planning
At present, it is uncertain whether there will be any changes in the rules for charitable contributions and, if so, when they will become effective. Likely, the charitable contribution rules for 2017 will be unchanged. However, a decline in tax rates would mean that tax value of donations would be reduced. For example, a $1,000 donation for someone in the 39.6% tax bracket saves nearly $400 in federal income taxes. If the rate for the same taxpayer declines to 25%, the savings would be only $250.

Conclusion
While high-income taxpayers may continue to be generous donors, regardless of tax breaks for giving, thought should be given now to making donations before the end of the year. Review charitable giving to year-to-date and project the tax savings for additional gifts that can be made by December 31, 2017. Allow sufficient time when making donations that require qualified appraisals and legal documentation.

Executive Editor Sidney Kess is CPA-attorney, speaker and author of hundreds of tax books. The AICPA established the Sidney Kess Award for Excellence in Continuing Education in his honor, best-known for lecturing to over 700,000 practitioners on tax. Kess is senior consultant for Citrin Cooperman, consulting editor to CCH and Of Counsel to Kostelanetz & Fink.

Death of an Employee: Tax Ramifications

By: Sidney Kess, CPA, J.D., LL.M

When an employee dies, family members, co-workers and others may experience profound loss. For the family and the company, there are important tax considerations that arise. Here are some of the issues of note.

Retirement Benefits

If a deceased employee was a participant in a company's qualified retirement plan, benefits are paid to the designated beneficiary. This is usually a surviving spouse if there is one. If an employee had wanted benefits to be payable to someone other than a surviving spouse, the surviving spouse would have had to consent in writing to this arrangement (Code Secs. 401(a)(11)(F) and 417(a)). The plan administrator should have a record of who was designated as the beneficiary or what happens if there is no such beneficiary (e.g., the beneficiary predeceased the employee).

The person inheriting retirement benefits is not immediately taxed on the inheritance (Code 102). However, when benefits are distributed to the beneficiary, they become taxable to the same extent that they would have been taxable to the employee.

A surviving spouse can roll over the benefits to his/her own account. This allows the surviving spouse to name his/her own beneficiary and to postpone required minimum distributions until age 70½.

A non-spouse beneficiary may direct the trustee of the plan to transfer inherited funds directly to an IRA set up for this purpose. The account should be titled: [Beneficiary's name], a beneficiary of [employee's name]. While the non-spouse beneficiary must take distributions over his/her life expectancy (Table I in the appendices to IRS Publication 590-B), this avoids an immediate distribution of the entire inheritance. Generally, distributions must begin by the end of the year following the year of death. However, under a five-year rule, no distributions are required until the end of the fifth year following the year of death, at which time the entire account must be withdrawn.

If the deceased employee's estate paid federal estate tax, then a beneficiary can claim a miscellaneous itemized deduction for the portion of this tax when benefits are included in his/her income (Code Sec. 691(c)). It is not subject to the 2%-of-adjusted-gross-income floor that applies to most miscellaneous itemized deductions; it is subject to the phase-out for high-income taxpayers.

COBRA Coverage

Under federal law, if the employer has 20 or more full- and part-time employees for at least half of the business days during the previous year and has a group health plan, COBRA coverage (a continuation of the company health plan) must be offered to a surviving spouse and a dependent child (Consolidated Omnibus Budget Reconciliation Act of 1985). A number of states have "mini-COBRA," which requires the offer of continuing coverage by smaller firms.

The employer must notify the qualifying beneficiary (spouse/dependent child) within 14 days the plan received notice of the qualifying event (the death of the covered employee) about COBRA. This notice of election must spell out what it means and how to make it. What it means is that the qualifying beneficiary can continue the same or reduced coverage for up to 36 months. This election is voluntary, so if the spouse has access to better or less costly coverage elsewhere (e.g., through the Medicare for the spouse; through the children's health insurance program [CHIP] for the child), making the election may not be advisable. The qualifying beneficiary must pay the cost of coverage, plus an administrative fee up to 2% (unless the company voluntarily pays for some or all of this coverage).

COBRA does not apply to:

- Health savings accounts (HSAs) (discussed later), even though coverage under a company's high-deductible health plan (HDHP) is subject to COBRA
- Disability insurance for short-term or long-term disability
- Long-term care insurance

Life Insurance

Insurance on the life of an employee is payable at death to the beneficiary of the policy. Depending on the type of coverage, this may be the surviving spouse, the company, or anyone else. As a general rule, the receipt of insurance proceeds payable on account of the death of the insured is tax-free (Code Sec. 101).

Group-term life insurance. Typically proceeds are payable to the surviving spouse or the employee's child. If the employee has not designated a beneficiary, proceeds are payable according to state law. In order of precedence, this is usually a current spouse, but if there is none, then to children or descendants. If none, then to parents, and then to the employee's estate.

Key person insurance. This is coverage owned by the company and is designed to provide a financial backstop needed during a replacement period for the deceased employee.

Insurance under buy-sell agreements. If the deceased employee is an owner and there is a buy-sell agreement that has been funded by life insurance, the proceeds are paid out to the company if the company owned the policy (an entity purchase buy-sell agreement), or to co-owners if they owned the policy (a cross purchase buy-sell agreement).

Workers' Compensation

If an employee dies because of a work-related injury or illness, a death benefit is payable to eligible dependents (usually a surviving spouse and minor children, but to others if there is no spouse or minor child). The receipt of these benefits is tax-free (Code Sec. 104(a)(1)).
The amount of the benefit varies from state to state. For example, in New York the death benefit is two-thirds of the deceased spouse's average weekly wage for the year before the accident (but not more than a maximum amount adjusted annually), or less if there is no surviving spouse, children, grandchildren, grandparents, siblings, parents, or grandparents. In addition, there may be a payment for funeral expenses.

When there is a work-related death covered by workers' compensation, this usually becomes the sole remedy against the employer. However, an action against the employer may not be barred in some situations (e.g., death because of toxic substances, defective products, intentional actions by the employer).

FSAs

If the deceased employee had been contributing to a flexible spending account for health care or dependent care costs, contributions cease at death. The executor can continue to submit claims for reimbursement for eligible expenses incurred before death; these reimbursements are tax-free. The plan administrator can provide details about the deadline for these submissions.

Restricted Stock and Stock Options

What happens to restricted stock and stock options when an employee dies varies greatly from company to company. Unvested grants may vest upon death. For example, the terms of a stock option plan may immediately vest any unvested grant, allowing the estate of the deceased employee to exercise the options within a set period.

Nonqualified stock options become part of the deceased employee's estate. If the executor exercises them, income is taxable to the estate (Form 1099-MISC is issued to the estate). There is no withholding required. Similarly, any restricted stock released to the estate becomes taxable to it (assuming that the employee did not make a Sec. 83(b) election); there is no withholding required.

Special Benefits

In addition to what the law requires, some companies may offer families of deceased employees special benefits. For example, Google pays 50% of a deceased employee's salary to a surviving spouse or domestic partner for 10 years (http://money.cnn.com/2012/08/09/technology/google-death-benefits/index.html). The company also pays each dependent child a monthly amount until age 19, or 23 if a full-time student.

Conclusion

Families must present death certificates to the company in order to receive any employment-related benefits on behalf of the deceased employee. They should also work with the company to undo other entanglements, such as company credit cards and company vehicles.

Executive Editor Sidney Kess is CPA-attorney, speaker and author of hundreds of tax books. The AICPA established the Sidney Kess Award for Excellence in Continuing Education in his honor, best-known for lecturing to over 700,000 practitioners on tax. Kess is senior consultant for Citrin Cooperman, consulting editor to CCH and Of Counsel to Kostelanetz & Fink.

Trump's Tax Proposal

By: Adam Fayne

At the time this article was published, Donald Trump's Unified Framework For Fixing Our Broken Tax Code (UFFOBT) has been known to the public for only a few weeks. The main principals are as follows:

Individual Taxes
The UFFOBT reduces the number of tax rates to three (from the seven in place today). The proposed rates are 12%, 25% and 35%. It is unknown what income will fall into each rate structure.

Increased Standard Deduction
UFFOBT increases the standard deduction for married couples to $24,000 and for single filers to $12,000. This increase will reduce the number of people who itemize their deductions on Schedule A.

Increased Child Tax Credit
It is unclear what this increased credit will be. UFFOBT requires the lawmakers to determine what amount this credit will provide. It will likely be higher than the $1,000-per-child credit provided today.

Limit or Eliminate Deductions, AMT, and the Estate Tax
UFFOBT proposes to eliminate the state and local tax deduction, personal exemption allowances, abolish the Alternative Minimum Tax, and abolish the Estate Tax.

Business Tax Changes
Corporate rates would be reduced from today's 35% rate to 20%. Pass-through entity profits would be taxed at a rate of 20%, reduced from highest individual rate today of 39.6%.

Foreign Earnings
United States business, today, pay a 35% tax on overseas profits when they repatriate them to the United States. UFFOBT would reduce this rate to equal the tax rate where the funds are earned abroad with a minimum foreign tax (to avoid shifting income to low tax jurisdictions). UFFOBT would also propose a one-time "tax holiday" whereby companies may repatriate their foreign profits at a very low tax rate.

2017 Tax Planning
It is difficult to plan around the UFFOBT since it is unclear what, if anything, will become final law. We anticipate this proposal to be very fluid and it is highly unlikely that any tax reform will be identical to what is proposed today under UFFOBT. With that said, we all know there will not be any change for the worse in 2018. As a result, our advice is to sit-tight and hope for the best.

The one item to be delicate with is estate planning. We certainly want to plan to take advantage of yearly allowances and exemptions in planning, but we would be reluctant today to establish

any long term vehicles, unless absolutely necessary, since there is the chance that the estate tax will be abolished.

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Taxpayer Advocate Focuses on Private Debt Collectors and Passport Denials

By: Kathleen M. Lach

The office of the IRS National Taxpayer Advocate Service (TAS) in its June 2017 report to Congress focused on two provisions embedded within the Fixing America's Infrastructure (FAST) Act, signed into law in December 2015. Directly effecting taxpayers is the requirement that the IRS use private collection agencies to try to collect "inactive tax receivables." In addition, the Act provides that the State Department may deny or revoke the passport of a taxpayer with a "seriously delinquent tax debt." These provisions immediately raised concerns at the Taxpayer Advocate's office. The mid-year report provides a status on the developments in these areas.

Private Debt Collectors

The IRS has been pushed by Congress to "do more with less", and within the FAST Act, Congress thought it would help its cause by mandating that the IRS use private collection agencies (PCAs) to go after accounts that are "inactive." This strategy has been tried twice in the past, and failed both times. No additional funds were collected over the course of the last experiment with PCAs, which was shut down in 2009. It is interesting to note that the bill was sponsored by Senators Schumer (New York) and Grassley (Iowa). Of the four approved PCAs, two are in New York, and one is in Iowa.

The section of the Internal Revenue Code on this enactment requires the IRS to assign PCAs to all inactive receivables. A "tax receivable" is defined as "any outstanding assessment which the IRS includes in potentially collectible inventory." The statute does not define "potentially collectible inventory." The IRS is to identify such accounts, and initiate this process by sending a letter to the taxpayer informing them that the account is going to be assigned to a PCA. It will then send a second letter confirming the case transfer.

TAS raised concerns immediately on the target cases, pointing out that hardship cases are the ones most likely to be affected. If a taxpayer has a delinquent account, and has hired a representative, it is doubtful that his case is "inactive." Further, most representatives are aware of the Fair Debt Collection Practices Act which provides that with written notice, a taxpayer does not have to deal with an outside collection agency. The concern is for taxpayers who are unable to pay, and vulnerable to being harassed into paying. There is statutory relief for taxpayers who are unable to pay their tax debts, such as offers in compromise, installment agreements, and placing an account in "currently not collectable" status. These tools are available to the IRS. They are not available to the private collectors. PCAs make money when they collect. They have no incentive to consider the personal circumstances surrounding the debt they are trying to collect, and in any case, they do not have access to the same tools as the IRS.

TAS has begun its review of the cases assigned to the PCAs during the first half of 2017. It reviewed the assigned accounts of delinquent taxpayers, whose returns were filed in 2014 and later. The results found that 23% of the taxpayers reported income below the federal poverty level, and 53% reported incomes below 250% of the federal poverty level, which is the threshold set by Congress to receive assistance from a low income tax clinic. Keep in mind the following

numbers that constitute household income below and proportionate to poverty level (relative to how many persons per household):

1 person	$12,060
2 persons	$16,240
3 persons	$20,420
4 persons	$24,600

Computed at the 250% rate equates as follows:

1 person	$30,150
2 persons	$40,600
3 persons	$50,050
4 persons	$61,500

The TAS report states that among the elderly, the median income on returns for taxpayers who received social security benefits in 2016 was $13,200.

The difficulty arises in that the PCAs are not authorized to collect financial information in order to make a determination on collectability. Again, they are collection agencies whose job it is to collect a debt. There is no negotiation. Based on the preliminary data gathered by TAS, economically challenged individuals and families will be adversely affected by the actions of the PCAs. TAS has indicated that it will monitor this process closely, and we will look for additional information on the activities of the PCAs as the year goes on.

Passports

Another enactment within the FAST Act being closely monitored by TAS is the restriction it placed on passports, and consequently travel. The code provision requires the State Department to deny an individual's application for a passport if they have a "seriously delinquent tax debt." It may limit the reapplication approval as well, as long as the IRS certifies the debt. At this time, the threshold for certification is a tax debt above $50,000.

The concern here is that certain taxpayers will be taken by surprise when they are faced with an inability to travel, or if they are in another country planning to return to the U.S. The "certification" process, and a final determination, is not necessarily disclosed to the taxpayer. There is also some concern as to whether this is a constitutional violation in placing restrictions on an individual's right to travel

There are provisions for exceptional circumstances within the code section. These primarily deal with family emergencies. It remains to be seen how the IRS will handle requests for exceptions, and under what circumstances they will be allowed. The issue of restricted passports and travel is a significant restriction on taxpayers, of which clients should be made aware. This is another area closely monitored by TAS, and we are certain to hear more about it as it is implemented this year.

The Taxpayer Advocate

The office of the Taxpayer Advocate is a part of the Internal Revenue Service that operates completely independently, and is an advocate and protector of taxpayers' rights. A taxpayer's first course of action if an IRS issue occurs is to quickly respond to any IRS contact letter or notice she receives. However, if continuing efforts are made to resolve a matter with field personnel or the Service Center (ACS), and the taxpayer (or you as a representative of the taxpayer) reaches an impasse, the TAS office is there to assist you in working with field personnel or ACS to resolve your matter.

Each state has a local TAS office. Contact information including local telephone and fax numbers may be found on the IRS website. Generally, assistance from TAS is initially requested by filing Form 911, Request for Taxpayer Assistance Order. This may be faxed to the local office, which is the avenue for the quickest response. TAS is a valuable resource in assisting with taxpayer issues that are not easily resolved, as well as monitoring actions such as the above legislation recently passed, which directly impacts taxpayers, and may impact taxpayers' rights.

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What Firms Can Do to Stop Pushing Talent into Competitors' Hands

By: Tom Barry, CPA

Our industry's workforce is changing rapidly and is skewing younger than ever. Retaining this workforce requires changing our mindset and introducing innovative programs that allow for balanced lives. CPA firms must be aware that individuals have needs and wants that go beyond work. Firms that have a legacy of long hours and weekend schedules and don't allow for balance will undoubtedly have retention issues. Younger workers do not want that kind of work environment and are aware they have other choices. It is also wise to pay attention to evolving generational attitudes, as younger workers do not feel tied to a single firm. They have a different mindset on what loyalty means, and can be quick to move to another opportunity.

In order for a firm to successfully retain talented people, it needs to acknowledge that each employee is a whole person and give employees the opportunity to take care of all aspects of their lives. At my firm, we allow employees opportunities for regular self-care and give them the opportunity to spend quality time with their families. Most importantly, recognizing that "family" may be different for everyone and doesn't always look like two - three kids and a dog – it's important to give equal weight to any relationships that provide a valuable emotional support system. To be successful, our talent needs to be in balance in all aspects of their lives for their overall well-being and success; firms need to incorporate a "be more" philosophy.

This philosophy pushes a firm to encourage employees to be the best they can be and enjoy life to the fullest. Why? Healthy people create a healthy firm, and a healthy firm attracts and retains the best and the brightest. Firms should consider a commitment to anytime/anywhere work, support of a flexible work environment and financial encouragement towards individual health and wellness, so that employees can live their best lives.

I have put this philosophy to work in my own life. I'm a father of four kids, and my life at home is often busier than life at the office. "Work-life balance" and "flex schedule" are two phrases that have been thrown around and are overused in the accounting profession. In concept, they are great. They provide the opportunity for me to fit more things into my day. In reality, work life balance and flex programs have just made us all busier. Finding ways to do the important things in life with intention, at both work and home, becomes something leaders must model and share to influence firm culture.

Creating New Career Paths

Another reason firms can lose employees to the competition is career paths tend to get narrower, choking off opportunity to grow and develop. That is only true if there is a rigid system in place. Firms need to look for ways to help people customize their careers and have the goal to give people the opportunity to do more things — which they traditionally might not get the opportunity to do. In my own career, I had the opportunity to sit on the executive committee early on, which has been invaluable to my new role as managing partner. I also have headed the information technology strategy and planning for the firm for the past 10 years, which reflected one of my personal passions and turned out to be another key contributor to my future success. As a firm, we have an ongoing process to define, execute, and refresh our firm's vision, and we

encourage everyone to get involved with the firm's long-term strategy much earlier in their careers than most firms would. This encourages buy-in and retention, as well as develops some great ideas.

Getting People Involved in Innovation

A firm that has a passion for innovation can also retain talent. Most firms that are successful find ideas to innovate not only outside but also from within the firm. One way we express that is through our Innovation Incubation Lab. Our employees submit ideas about ways the firm can start to do things in a more innovative way. There is a $5,000 prize, and ideas can be for any area, such as talent management, technology, billing, timekeeping, new service offerings or internal efficiency processes.

For example, we incorporate this idea by asking that any ideas submitted reflect one of the three central parts of our firm's vision: 1) our success is driven by retaining the best, diverse talent; 2) we invest in our people and technology to deepen firm expertise and fuel sustainable growth; and 3) we partner with our clients locally and globally to deliver innovative solutions. The process is transparent throughout but the only caveat is that the employee submitting the idea must be willing to spend the time necessary to help bring the idea to fruition, if chosen.

We Are in This for the Long Haul

If a firm wants to retain talent, then it's essential to view these strategies as long-term and work toward them every day. One of our core values is to grow great people. By being able to really promote and execute on a healthy work/life philosophy, any firm will allow people to break out of the traditional confines of work and expand things in their personal lives and with themselves. By far, the most important thing is to embrace a "be more" philosophy and make it a central part of how to treat each other. It has a direct correlation with retention; your firm will see lower turnover and more productive individuals in serving clients and developing other people. Allowing people to have success in life will translate to success at the firm and gives them a tangible reason to stay and grow with your firm.

Tom Barry, CPA is a partner at Green Hasson Janks, a Los Angeles accounting firm that specializes in nonprofit, food and beverage, health and wellness, and entertainment and media companies. Barry can be reached at tbarry@greenhassonjanks.com.

1. Which of the following tax rules for charitable contributions is false?
A. Donations must go to an IRS-recognized charity, which can be found in Publication 78 online.
B. A taxpayer must follow substantiation rules, with may include obtaining written acknowledgments from the charity and qualified appraisals from outside appraisers.
C. Cash donations are limited to 60% of adjusted gross income.
D. The deduction for charitable contributions is subject to the phase-out of itemized deductions for high-income taxpayers.

2. Which of the following does not qualify as a real property interest that can be donated and deducted as a conservation easement?
A. Preservation of land areas for outdoor recreation by, or the education of, the general public.
B. Protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem.
C. Preservation of open space (not including farmland).
D. Preservation of a historically important land area or a certified historic structure (such as a building facade).

3. A fund or account in which a donor can provide input but not dictate how to distribute or invest amounts held in the fund is a:
A. IRA-type account
B. Donor-advised fund
C. Free invested fund
D. Charitable distribution trust

4. Under federal law, if the employer of a recently deceased employee has _____ or more full and part-time employees for at least half of the business days during the previous year and has a group health plan, COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) coverage must be offered to a surviving spouse and a dependent child.
A. 20
B. 25
C. 28
D. 40

5. COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) does not apply to:
A. Health savings accounts, even though coverage under a company's high-deductible health plan (HDHP) is subject to COBRA.
B. Long-term care insurance.
C. Disability insurance for short-term or long-term disability.
D. All of the above.

6. Which of the following concerning different types of life insurance for a deceased employee is true?
A. If a beneficiary is not designated for a group-term life insurance policy, the order of precedence for proceeds is spouse, descendants, employee's estate, parents.
B. Key person insurance is coverage owned by the company and is designed to provide a financial backstop needed during a replacement period for the deceased employee.
C. Proceeds from insurance under buy-sell agreements can go to a sole owner of the policy.
D. All are false.

7. The three tax rates of the proposed Unified Framework For Fixing Our Broken Tax Code are:
A. 10%, 18% and 34%
B. 11%, 27% and 31%
C. 12%, 25% and 35%
D. 14%, 27% and 38%

8. The proposed Unified Framework For Fixing Our Broken Tax Code proposed tax plan would increase the standard deduction for married couples to _______.
A. $ 12,000
B. $ 16,500
C. $ 18,000
D. $24,000

9. What does the proposed Unified Framework For Fixing Our Broken Tax Code not eliminate/abolish?

A. Alternative Minimum Tax

B. Estate Tax

C. Expenditure Tax

D. Personal exemption allowances

10. What is the household income threshold for a household of three to receive assistance from a low income tax clinic for inactive tax receivables?

A. $50,050

B. $20,420

C. $30,150

D. $24,600

11. What must State Departments deny an individual if his or her delinquent tax debt is above $50,000?

A. Passport application

B. Drivers license renewal

C. Government loan

D. State park access

12. What must be filled out to request assistance from the IRS National Taxpayer Advocate Service (TAS) on delinquent tax issues?

A. Tax Assistance Form (TAF)

B. Form 911

C. A “Request for Assistance” on the TAS website

D. Form 860

13. To be successful, employees need to be in balance in all aspects of their lives for their overall well-being and success. It is recommended firms incorporate what philosophy?

A. Be more

B. Be driven

C. Be balanced

D. Be outside the box

14. What is recommended CPA firms must do concerning employee career paths to prevent losing employees to competition?

A. Arrange appointments with career counselors on site.

B. Provide a structured and rigid accomplishment system.

C. Advise employees on retirement plans right for their needs.

D. Help employees customize their careers and have the goal to give employees the opportunity to do more things.

15. What is something recommended a CPA firm have to accept input from employees?

A. Suggestion Listserve

B. Innovation Incubation Lab

C. Renovation Panels

D. Quarterly Meets

Question Responses

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