

Willard J. De Filippis

Subject:

Re: De Filippis Mid-Year 2019 Dealer Tax Update seminar

For as long as I can remember, I have been offering Mid-Year and Year-End seminars updating automotive CPAs on dealer and dealership tax developments.

At the beginning of this year, I had intended to offer a Mid-Year (2019) update this summer. However, as I review daily developments from a variety of sources, I find myself hard-pressed to put together two hours of really new information that might be of interest to you.

I've attended several *TCJA of 2017* update seminars and have found that they have offered nothing significant other than being updates on the Final Regulations for a number of Sections. Most especially, these *TCJA* updates focus almost entirely on (1) the complexities of the Section 199A 20% qualified business income deduction and (2) the possibilities of investing in "Opportunity Zones."

In last year's Mid-Year and Year-End Update seminars, we also covered the interpretive issues relating to the Section 163(j) interest limitations that were enacted by the *TCJA*. In this area, there is still nothing new to add to what was already discussed last year ... You still have to live with your own interpretations ... and there's no reason to expect any guidance (that would be useful) from the IRS at this time.

Interestingly, the current major area of IRS and Department of Justice activities relate to captive insurance companies / producer-owned reinsurance companies (PORCs) which the IRS continues to actively audit. There are several significant developments, but all of those are related to really foolish taxpayers who have stuck their necks out in trying to get away with ridiculous arrangements, got caught by the IRS on audit and (would you believe?) have gone to court trying to justify their actions. Not only is the Department of Justice actively cracking down, some law firms are having their records (as far back as 15 years) subject to IRS subpoenas. And, to top it all off, a major class action has been filed against at least one significant provider/promoter. These developments involve not only the Section 831(b) aspects, but also failures to report holdings in foreign (bank) accounts.

Frankly, everything I covered in my 2018 Mid-Year and Year-End update seminars still holds regarding my expectation that properly operated dealership PORC arrangements should not have any real difficulty with the IRS unless they overstep some of the boundaries of which we are all aware (such as excessive loans, investments in unrelated assets, etc.). The Tax Court decision in *Avrahami* is still the "gold standard" as far as the IRS is concerned, and subsequent cases continue to cite that case as precedent.

As I daily check *Tax Notes* to see if there are any current Tax Court decisions or other IRS guidance documents, I haven't found anything that rises to the level of supporting a 2-hour Mid-Year seminar on "new developments."

Accordingly, I would not want to disrespect your time by “churning” a lot of material you’ve already been exposed to or that is of much lesser interest. Therefore, we will not be offering a Mid-Year Dealer Tax Update seminar this summer. Instead, I’ve just given you a few brief paragraphs that should suffice as a update at this point. (Sorry, no CPE is available for reading this e-mail.)

But please note ... I do intend to offer a Year-End 2019 Update seminar (probably in late November).

As the saying goes, “No news is good news,” and I hope you’ll have a most enjoyable summer ... if you are not burdened too much trying to complete tax returns on extension.

If you need any assistance with LIFO calculations for your dealers or other clients, please give me a call, as our consulting services are continuing to expand.

Otherwise, feel free to call or contact me at any time if you have any question or just want to say “Hello.”

Sincerely,

~ Will

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