

8th Annual CME, CDE and CLE Fall Symposium

The Armenian-American Medical Society and
Armenian Bar Association

Saturday, October 12, 2019

9 AM to 6 PM



Common IRS Related Matters that Impact Practitioners and Medical Practices

by Vic Abajian, LL.M.
Tax Attorney

Abajian Law

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I.R.C. section 199A Deduction

- President Trump's 2017 tax cut created a new deduction pursuant to Internal Revenue Code Section 199A ("199A Deduction") for the owners of certain businesses that operate as a sole proprietorship, partnership, LLC, or S corporation.
- Generally, the 199A Deduction is equal to twenty percent (20%) of the owner's allocable share of the business' net income. Importantly, the 199A Deduction will be claimed on the owner's individual income tax return as a deduction after the calculation of adjusted gross income, but is not an itemized deduction.
- Owners of Restricted Businesses (which includes physicians), however, can fully benefit from the 199A Deduction *only* if their taxable income is below \$157,500 for single filers and \$315,000 for joint filers. For taxable income levels between \$157,500 and \$207,500 for single filers, and between \$315,000 and \$415,000 for joint filers, the 199A Deduction is phased-out. Once taxable income levels reach \$207,500 for single filers and \$415,000 for joint filers, the 199A Deduction is completely denied.

I.R.C. section 199A Deduction

- Assume, for example, a physician operates a medical practice through an S corporation. The physician's allocable share of the corporation's net income is \$150,000 and the taxable income on the physician's joint return that the physician files with his or her spouse is \$450,000. Because the physician's taxable income on the joint return is greater than \$415,000, the physician is not entitled to any 199A Deduction.
- Assume the same facts as above, except that the taxable income on the physician's joint return is \$310,000. Because the physician's taxable income on the joint return is less than \$315,000, the physician is entitled to a 199A Deduction in the amount of \$30,000 (20% of \$150,000). If the physician's taxable income is between \$315,000 and \$415,000, the physician would be entitled to a reduced 199A Deduction.
- The amount of business net income for which the 199A Deduction is available does not include reasonable compensation paid by the business to the owner of the business, nor does it include guaranteed payments paid by a partnership to a partner.

Recent Case Examples

- Chiropractor
- Hospice Care
- Doctor and Tax Attorney
- Doctor, CPA and Foreign Bank Account
- Captive Insurance Company

Form 4564	Department of the Treasury Internal Revenue Service Information Document Request	Request Number ONE
	To:	Subject: Examination of 201612 Form 1040
		Submitted to: Vic Abajian, Esq.
		Dates of Previous Requests:

Description of Documents Requested:

It is important that you have the following information available for our appointment. It will permit the examination to be completed as soon as possible. Thank you for your cooperation. This list is not intended to be all-inclusive. Additional items may be requested.

Please have available during the audit the following:

1. Copy of your filed Form 1040 for the period ending 12/31/2015, 12/31/2016, and 12/31/2017.
2. Provide all bank statements, deposit slips and cancelled checks, for all bank accounts, whether savings or checking, investment or retirement accounts for the period January 1, 2016 through December 31, 2016.
3. According to the information collected by the IRS, taxpayer cashed numerous checks at Quick Cashing Inc. located at 1206 S Lake St, Los Angeles CA 90006 during audit year. the payers of cashed checks including but not limited the following.

- | | |
|------------------|---------------------|
| - Law Offices of | - Attorney |
| - Law Offices of | - Law Office of |
| - Law Offices of | - Law Office of |
| - | - Law Office of |
| - | - Law Office of |
| - & Associates | - |
| - Law Office of | - The Law Office of |
| - Law Office of | - |
| - Law Office | - Law Office of |
| - Law Office | - Law Office of |

- a. Please provide the copies of all checks cashed by taxpayer in audit year.
- b. Explain whether these checks were business income to taxpayer.
- c. Explain whether the income was reported by taxpayer.

Information Due By	To be determined	At Next Appointment	Main To
	Name and Title of Requestor Kristy Lee	Employee ID: 100677086	Date: 9/18/18
FROM	Internal Revenue Agent		
	Office Location: FE 1701 4, 9360 Blair Drive E. Monte CA 91731	Phone: Fax: 6	Page 1

Form 4564	Department of the Treasury Internal Revenue Service Information Document Request	Request Number IDR # 002
To: _____	Chiropractic Corporation	Subject: Examination of 2016 Form 1120S
		Submitted to: Vic Abajian, Esq.
		Dates of Previous Requests:

Description of Documents Requested:

Outside Service - \$566,981

1. Provide service contract with Dr. _____ indicating services performed by Dr.
2. Provide service contract with _____ indicating her duties and responsibilities.
3. Per return claimed \$566,981 outside services but per transaction report recorded \$534,532 expense, please explain the difference of \$32,449.

Information Due By	To be determined	At Next Appointment	Mail In
	Name and Title of Requestor Kristy Lee, Internal Revenue Agent	Employee ID: 1000677086	Date: 9/18/18
From	Office Location: FE 1701 KL 9350 Flair Drive, El Monte, CA 91731	Phone: Fax:	Page 2
Form 4564 (Rev. 04/2004)			Worksheet #: 610-2.2

Feb. 8. 2019 10:11 AM

CASE #:19-00213

RECEIVED

Feb 22, 2019

BY: DISCLOSURE OFFICE

U.S. 110 (Rev. 06/07) Subpoena to Testify Before a Grand Jury

UNITED STATES DISTRICT COURT
for the
CENTRAL DISTRICT OF CALIFORNIA

TO: Custodian of Records
State of California Franchise Tax Board

**SUBPOENA TO TESTIFY
BEFORE A GRAND JURY**

SUBPOENA FOR:

☐ Person

☒ Document(s) or Object(s)

YOU ARE COMMANDED to appear in this United States District Court at the time, date, and place shown below to testify before the Court's Grand Jury. When you arrive, you must remain at the court until the judge or a court officer allows you to leave.

PLACE:

ROYAL FEDERAL BUILDING
125 EAST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012

COURTROOM:

Room 600, 6th Floor

DATE AND TIME:

February 22, 2019 at 9:00am

☒ You must also bring with you the following documents, electronically stored information, or objects:

See Attachment A

CLERK OF COURT:

Kathy K. Gray

By Kathy K. Gray, Clerk of the Court



DATE:

February 7, 2019

This subpoena is issued on application
of the United States Attorney

ROSEAN T. SHANZA
United States Attorney

Kathleen A. Williams
Assistant United States Attorney
1150 United States Courthouse
912 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-4974

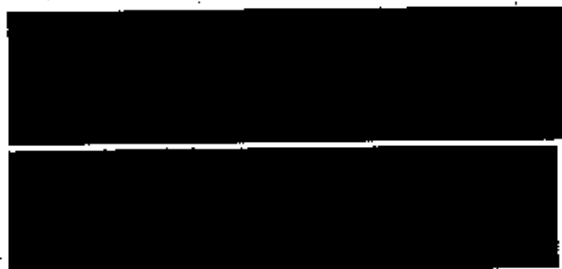
Case #: 19-00213

Special Agent: Rachelle Wong
Telephone: (213) 260-8047
rs1000.wong@usdoj.gov

Note: An agent of the United States Marshals Service, Office of Inspector General will deliver the above-mentioned subpoena(s) to the Grand Jury at the time you appear in person. Come to the Grand Jury in advance of the date indicated above.

ATTACHMENT A TO GRAND JURY SUBPOENA TO
CUSTODIAN OF RECORDS OF STATE OF CALIFORNIA FRANCHISE TAX BOARD

A. **Relevant Subjects.** This Subpoena requires production of legible and complete copies of any and all responsive records in the possession, custody, or control of the State of California Franchise Tax Board (hereinafter "FTB") with respect to the following relevant Subjects and persons (hereinafter individually and collectively the "Relevant Subjects"):



9.

- DOB: [REDACTED]
- SSN: [REDACTED]
- Address: Pasadena, CA 91107



B. **Relevant Time Period.** This Subpoena requires production of any and all responsive filings and other records received, created, or maintained by the FTB any time during the period from January 1, 2015, to the issue date of this subpoena.

C. **Records to be produced:**

1. All California State tax returns and return information relating to the Relevant Subjects;
2. All federal tax returns and return information relating to the Relevant Subjects;

ATTACHMENT A TO GRAND JURY SUBPOENA TO
CUSTODIAN OF RECORDS OF STATE OF CALIFORNIA FRANCHISE TAX BOARD

3. All transcripts of return information relating to the Relevant Subjects;
4. All audit work papers relating to the Relevant Subjects;
5. All collection records relating to the Relevant Subjects, including any correspondence, notices, and other communications to or from the Relevant Subjects regarding tax assessment, tax due and owing, tax payment and/or any offer and compromise of tax liability;
6. All state and federal tax liens filed relating to the Relevant Subjects, and underlying records relating to assessment of tax liability, and any related lien releases and payments;
7. All records (regardless of when created or maintained) relating to suspension of any of the entity Related Subjects by the FTB, including any correspondence, notices, and other communications to or from the Related Subjects.

D. Instructions for production of electronically (digitally) stored records:

Electronically stored records shall be produced in electronic form in accordance with the attached Specifications for Production.

If you have questions regarding these instructions for production of electronically (digitally) stored records, please call HHS-OIG Special Agent Rochelle Wong at (714) 390-8245.

All subpoenaed records shall be provided on or before the return date of the subpoena.

cc:

Rochelle Wong
HHS-OIG-OI
600 City Parkway West
Suite 900
Orange, CA 92668
rochellewong@oig.hhs.gov



U.S. Department of Justice

United States Attorney
Northern District of Texas

1100 Commerce St., 7th Floor
Dallas, TX 75242-1699

Main: (214) 659-8600
Fax: (214) 659-8600

March 22, 2018

██████████ LLC
Attn: Custodian of Records
██████████
California 92679

RE: Federal Grand Jury Subpoena - ██████████

Dear Custodian of Records:

You are being served with a subpoena duces tecum for the production of certain records. In lieu of your appearance before the Federal Grand Jury on April 10, 2018, at 9:00 am, you may comply with this subpoena by delivering the designated records in electronic format to SA Chelsie Drews, FBI - Federal Bureau of Investigation, One Justice Way, Dallas, Texas 75220, prior to the Grand Jury date.

Also, enclosed please find a Certificate of Authenticity of Domestic Business Records Pursuant to Federal Rule of Evidence 902(11). Please complete this Certificate and return with the subpoenaed documents.


However, if you elect to do so, you may appear with the subpoenaed records before the Federal Grand Jury on the date and the time specified in the subpoena. If copies of original documents are produced pursuant to this subpoena, it will be necessary for your organization to maintain the originals.

Please be advised that the materials sought in this subpoena are pertinent to an ongoing Federal Grand Jury investigation. Therefore, you are urged not to disclose the existence of this request for production of evidence as disclosure at this time could impair the investigation being conducted and thereby interfere with the enforcement of federal criminal law.

If you have any questions or need further information, please contact SA Chelsie Drews at (972) 559-5747. Questions regarding legal matters should be referred to me at (214) 659-8600.

Sincerely,

ERIN NEALY COX
UNITED STATES ATTORNEY


J. NICHOLAS BUNCH
Assistant United States Attorney

ATTACHMENT TO GRAND JURY SUBPOENA

Custodian of Records
[REDACTED]

California 92679

Please provide any and all records regarding services rendered by [REDACTED]

[REDACTED] and any other related entity from 2011 to current. Requested records should include but are not limited to: all invoices, supporting documentation, lists of employees who provided said services and proof of services.

Please provide the results in electronic and/or paper format directly to FBI Special Agent Chelsie Drews, 1 Justice Way, Dallas, Texas 75220, telephone number 972-559-5747.

Streamline Disclosure

- Program updated because OVDP penalties were too severe for many cases
 - Such taxpayers were filing quiet disclosures, entering and then opting out of the OVDP, or remaining non compliant
- 2012 Streamline had eligibility requirements that were too narrow.
- Changes under 2014 Streamline greatly expanded eligibility

2014 Streamline Procedures

- Announced July 1, 2014
 - Open Ended
 - Expands eligible taxpayers SFO/SDO
 - SFO- No penalties
 - SDO- 5% MOP
- Revised forms January 2015
 - Emphasizes that taxpayers MUST include narrative statement of facts
 - Press Coverage includes BNA Daily Tax Report
- Form 14654- SDO
 - Requires foreign financial asset information for 6 year period
 - Included computation of penalty
- Form 14653- SFO

Voluntary Disclosure

The Voluntary Disclosure Practice is a longstanding practice of IRS Criminal Investigation (CI). CI takes timely, accurate, and complete voluntary disclosures under consideration when determining whether to recommend criminal prosecution. A voluntary disclosure will not automatically guarantee immunity from prosecution; however, a voluntary disclosure may result in prosecution not being recommended.

A voluntary disclosure occurs when you provide a truthful, timely, and complete disclosure to CI through designated procedures. It also requires you to:

- Cooperate with us in determining your correct tax liability and
- Make good faith arrangements with us to pay - in full - the tax, interest and any applicable penalties you owe.
- A disclosure is timely if we receive it before we have:
- Commenced a civil examination or criminal investigation
- Received information from a third party (e.g., informant, other governmental agency, John Doe summons, etc.) alerting us to your noncompliance
- Acquired information directly related to your specific noncompliance from a criminal enforcement action (e.g., search warrant, grand jury subpoena, etc.)

Civil Income Tax Audits by the IRS

Best Practices

Bank Deposits Analysis

Consequences of an Outstanding Tax Liability

Notice of Federal Tax Lien

The IRS files a public document, the **Notice of Federal Tax Lien**, to alert creditors that the government has a legal right to your property.

How a Lien Affects You

- **Assets** — A lien attaches to all of your assets (such as property, securities, vehicles) and to future assets acquired during the duration of the lien.
- **Credit** — Once the IRS files a Notice of Federal Tax Lien, it may limit your ability to get credit.
- **Business** — The lien attaches to all business property and to all rights to business property, including accounts receivable.
- **Bankruptcy** — If you file for bankruptcy, your tax debt, lien, and Notice of Federal Tax Lien may continue after the bankruptcy.

FTB Top 500 Delinquent Taxpayers

Delinquent taxpayers on the list face an array of consequences:

- If they hold a professional or occupational license, that information is noted on the list and the license may be suspended until the tax bill is resolved.
- The state may suspend the delinquent taxpayer's driver license until the tax bill is resolved.
- State agencies are prohibited from entering into contracts for the acquisition of goods or services with listed taxpayers.
- We publish the names and titles of principal corporate officers of corporations on the list.