

Dear Clients and Friends

Our staff is working long hours and enjoying lots of client interaction in this busy tax season. For most of you, income taxes comprise your #1 or #2 expenditure each year. As such, your planning should take place year-round. We are here to help you minimize your taxes for 2014 and later years, as we assist many of you with your 2013 tax compliance.



The representation side of our practice is very busy and below we are advising you of some New Jersey opportunities and some changed forms in dealing with IRS installment agreements. We hope you find the information helpful.

As always, please do not hesitate to contact either Robbin or me for any assistance. Wishing everyone well and looking forward to warmer weather.

Marty

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## NEW JERSEY OFFERS "AMNESTY" ON PARTNERSHIP TAX FILINGS & FEES

**"Amnesty" commences March 15 and runs through May 15, 2014.**

This "amnesty" covers the \$150 per partner fee for partnerships with three (3) or more partners, partnership filings and related taxes, and non-compliant individual partners for periods beginning on or after January 1, 2010. Technically, the State of New Jersey is referring to the program as an "initiative" or an opportunity to "voluntarily come forward and comply" in order to secure waiver of penalties.

One must complete a voluntary disclosure agreement ("VDA") by the May 15th deadline and then file all returns and remit payments of all taxes and fees within 45 days of the submission of the VDA. Interest can be paid 30 days after assessment, which takes place after the filing of the returns.

### Quoting from the New Jersey website:

*"Beginning on March 15, 2014 and running through May 15, 2014, partnerships that have New Jersey sourced income and have not filed the relevant forms (PART-100, PART-200T & NJ-1065) and/or remitted the tax and fees owing can voluntarily come forward and comply with their Corporation Business Tax and Gross Income Tax requirements. Individual partners that have not satisfied their New Jersey filing and tax remittance requirements can also come forward and become compliant under the terms of this initiative."*

**Key Opportunity:** Partnerships and partners coming forward and satisfying all filings, taxes and interest for the years 2010 and forward through this initiative will have no liability whatsoever for years prior to 2010 under the terms of the VDA.

Taxpayers will not be eligible for this initiative, or others listed later in this newsletter, if they are under audit or have been notified of a pending audit by the New Jersey Division of Taxation.

For more information, see: <http://www.nj.gov/treasury/taxation/Partnership.shtml> . At this point the official guidance is limited. However, the article above includes direct clarifications which we have received in written form (e-mail) from the New Jersey Division of Taxation personnel in charge of the program. Accordingly, please call us if you need our assistance in guiding you through this opportunity.

**Background:**

In an effort to raise revenue over the past decade, the State of New Jersey has gone to partnerships for two forms of revenue:

- 1) **Fees.** These are unrelated to profitability. If an entity taxed as a partnership (partnerships, limited liability companies, joint ventures, etc.) has three or more partners/members, it is taxed \$150 per partner/member. When first instituted, there was an uproar by small investment clubs with many members. Accordingly, investment clubs with less than \$60,000 in assets were administratively excluded. Also, investment clubs with assets on the last day of the entity's fiscal year are not in excess of the lower of:
  - \$42,400 (2010) to \$45,700 (2013) per partner, or
  - \$302,300 (2010) to \$326,500 (2013) in totalare also exempt from the \$150 per partner fee, but will need to file a form 1065 if the average assets exceed \$60,000 for the year.
- 2) **Taxes for Partners.** This is the payment of the tax for each non-resident partner's share of income, assuming the highest tax rate. This is akin to withholding, but is paid whether or not there are distributions to the partners. It is dependent upon the partnership taxable income allocable to non-resident partners.

For a complete list of partnership filing requirements, see: <http://www.state.nj.us/treasury/taxation/partnotice.shtml>

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**OTHER NEW JERSEY VOLUNTARY DISCLOSURE PROGRAMS**

In addition to the partnership tax and fees initiative, the New Jersey Division of Taxation offers Voluntary Disclosure Programs for:

- Individual Income Taxes
- Offshore Accounts
- Intangible Assets
- Business Taxes

Detailed information on these programs can be found on the New Jersey Department of Treasury website: <http://www.state.nj.us/treasury/taxation/voldisc.shtml>

We draw your attention, in particular, to the Intangible Asset Nexus Initiative (<http://www.state.nj.us/treasury/taxation/IntangibleAsset.shtml>), which, as the Partnership Initiative, has a limited time frame of March 15 to May 15, 2014.

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**UPDATED GUIDANCE ON STREAMLINED INSTALLMENT AGREEMENTS**

Since 2011, the IRS has made available a streamlined process for securing installment agreements in situations wherein individual taxpayers owe less than \$50,000. One of the principal advantages of the streamlined agreement program is that such agreements can be entered into without disclosing financial information to the IRS. Other aspects of the agreements are:

- The tax must be fully paid in 72 equal monthly payments.
- The tax must be paid prior to the expiration of the 10-year statute for collecting delinquent tax liabilities.
- If more than \$25,000 is due, payments must be directly debited from one's bank account.
- One must be otherwise compliant with their tax obligations (all filings completed).
- May be used to satisfy income taxes (form 1040), Trust Fund Recovery Penalties and/or payroll taxes of a sole proprietor no longer in business.

Such agreements may be entered into online at <http://www.irs.gov/Individuals/Online-Payment-Agreement-Application>. Or, one can apply using form 9465 "Installment Agreement Request", which has just been revised in December, 2013. One can usually secure a streamlined installment agreement with the IRS over the telephone. To do so, we suggest that you have both Form 9465 and Form 433-D "Installment Agreement" (revised in November, 2013) to finalize payment terms completed and ready to fax to the IRS assister on the phone. Make sure you use the magic words "I would like to enter into a streamlined installment agreement." If you do not, the assister may start requesting detailed financial information.

On February 21, 2014, Dretha Barham, the IRS Director of Collection Policy, issued a memorandum (#SBSE-05-0214-0017) reiterating to IRS employees the broad availability of the streamlined agreement program. It notes, therein:

- No managerial approval is required.
- No determination of issuing a public lien on the debt is required.
- The previous requirement to verify a taxpayer's ability to pay is suspended unless the taxpayer has defaulted on an installment agreement within the past 12 months.

Both Forms 9465 and 433-D along with instructions thereto, can be found at [www.irs.gov](http://www.irs.gov).

My very best regards,

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