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# DEALER TAX WATCH

A Quarterly Update of Essential Tax Information

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## DEALER TAX WATCH OUT

If you had called me personally to ask, "What's happening lately with IRS audits of dealers and dealerships that I need to know about?" ... Here's what I'd say:

### #1. "SUMMERTIME ... & THE SERVICE IS BUSY" (To be hummed to the tune of that lazy classic melody, *Summertime and the Livin' Is Easy*).

Most CPAs I've talked to lately said that they were really "going crazy" right before April 15<sup>th</sup> ... you know, tax return filings and all that stuff. You think you were busy? Consider the IRS' web site. During the 3-day period April 13-14-15, the IRS' web site averaged 83 searches per second. (Yes, per second!) That statistic was provided by Bert DuMars, Director of the IRS Office of Electronic Tax Administration at a recent seminar.

In this issue of the *Dealer Tax Watch*, we're going to focus on a number of the IRS activities going on currently and anticipated in the short-term future. Most of these will affect you directly and significantly ... (1) The IRS' more intensive tracking of tax returns filed by flow-through entities, (2) the continual evolution of Schedule M-3 (whose reach will be expanded from corporate filers to others very soon), (3) electronic filing requirements for C Corps and S Corps (most likely affecting the majority of our readers when they file 2006 tax returns for their dealership clients in 2007....

Here's another interesting statistic... According to another IRS official, the Service has found that individuals reporting \$1 million of compensation may be involved with approximately 10 to 15 flow-through entities, reporting (or not reporting) K-1 information in Schedule E and other parts of their tax returns.

To top it off and fit right in, a former Senior Industry Advisor to the LMSB wrote a book on his experiences over his 4-year term of employment. We're also reporting on this because his book provides a good overview of the LMSB operations and its major initiatives.

All you have to do is read the newspapers to get a daily dose of the IRS' ongoing attacks against

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promoters of, and investors in, abusive tax shelters. And, the Service issued a Revenue Ruling affecting accountable plan providers, the timing of which was certainly a surprise to everybody.

There have not been any really significant tax cases decided over the summer ... with the exception of the *David Taylor Enterprises* case, reported herein. However, there are still a number of developments that reflect a very high energy and activity level within the IRS as it continues to pull together a variety of initiatives to "tighten up" the tax return filing season for 2005 and its audit "currency" objectives.

Summer and fall are the seasons for tax seminars and conferences. And, I've attended my share. There is one conclusion that I want to share with all readers about my impressions of the IRS after hearing many presentations by its representatives ... "They've come a long way, Baby" ... "It's not your father's IRS."

## LOOKING FOR ADDITIONAL & "VALUE ADDED" SERVICES FOR DEALER CLIENTS?

Look no further... Just use the *Dealer Tax Watch* for a head start in golden consulting opportunities and activities to help dealer clients—and, in the process, to help yourself.

see DEALER TAX WATCH OUT, page 2

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