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Happy New Year!

Here are several items that may be of interest to you.

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**Tax Season to Begin in January, Says IRS:** Despite the last minute and the year-end tax legislation signed into law on 12/18/15, the IRS announced that it still plans to open the 2016 filing season as scheduled in January. According to its recent News Release, the IRS will begin accepting tax returns filed electronically on 1/19/16. Paper tax returns will begin processing at the same time. (IR 2015-139).

**Transfer to Children's Trusts after Business Dispute Settlement Was a Taxable Gift:** The taxpayer worked in his family business with his father and brother, each of which owned one-third of the company's shares, until his brother was forced out in 1971. The brother demanded all of his shares, which, after lengthy negotiations, resulted in a 1972 settlement requiring him to transfer the shares into trusts for his children. Three weeks later, the taxpayer transferred some of his company stock to trusts created for the benefit of his children. After failing to file a gift tax return, the taxpayer was assessed a gift tax deficiency on the stock transfer to his children's trusts. The taxpayer argued that his transfer was similar to his brother's, in which the Tax Court concluded was *not* a taxable gift (*Estate of Edward S. Redstone*, 145 T.C. No. 11). However, the Tax Court disagreed, reasoning that, unlike the transfer by his brother, which was made because he was required to do so, the taxpayer's stock transfer was voluntary and motivated by donative intent. Therefore, the transfers were taxable gifts. [The statute of limitations on the taxable gift hadn't expired after 41 years because the gift tax return had never been filed.] *Sumner Redstone*, TC Memo 2015-237 (Tax Ct.).

**2016 Standard Mileage Rates:** Beginning on 1/1/2016, the standard mileage rates for cars, vans, pickups, and panel trucks will be 54 cents per mile for business miles, 19 cents per mile for medical or moving purposes, and 14 cents per mile for charitable purposes. The business expense rate is down 3.5 cents per mile from 2015, and the medical and moving expense rates are down four cents per mile from the 2015 rates. The charitable rate is set by law and remains unchanged from last year's rate. The portion of the business standard mileage rate treated as depreciation is 23 cents per mile for 2012 and 2013, 22 cents per mile for 2014, and 24 cents per mile for 2015 and 2016. (Notice 2016-1, 2016-2 IRB).

**Additional Tax Relief for Tax Relief Services:** The IRS announced the expansion of nontaxable treatment of identity protection services provided to an employee or other individual at no cost to include the value of such services provided *before* a data breach occurs. This tax relief is in addition to those included in Announcement 2015-22 (for such services provided at no cost to employees and others *after* a data breach occurs). Individuals receiving these services aren't required to include the value in their gross income, and the entity isn't required to include these amounts in the employees' gross income or report them on information returns, such as Form W-2 or Form 1099. (Announcement 2016-2, 2016-3 IRB).

**New Draft Form to Report Distributions to Estate Beneficiaries:** The IRS released draft Form 8971 (Information Regarding Beneficiaries Acquiring Property from a Decedent), which is intended to satisfy the new basis consistency reporting requirement for estates. The basis consistency rule of IRC. Secs. 6035(a) and 1014(f) applies when (1) the estate is required to file an estate tax return (Form 706 after 7/31/15, and (2) the property increases the estate tax liability. The due date for the basis consistency requirement was delayed until 2/29/16 so additional guidance could be developed (Notice 2015-57).

**Stock Received in Insurance Company Demutualization Has No Basis:** Reversing the holding of a district court, the Ninth Circuit held that the taxpayers, who were policyholders in mutual insurance companies, had no basis in the stock that they received when the insurance companies demutualized. Noting that the taxpayers had the burden of establishing basis and that they didn't meet that burden, the Court held that the taxpayers acquired the membership rights at no cost, as an incident of the structure of mutual insurance policies. *Bennett and Jacquelynn Dorrance*, 116 AFTR 2d 2015-XXXX (9th Cir. 2015).

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To the extent that written tax advice was present in this communication, additional issues may exist that could affect the federal or local tax treatment thereof. Therefore, this communication does not provide a conclusion with respect to such issues. With respect to issues outside the limited scope of this advice, this advice was not written, nor can it be used, for penalty avoidance or tax advice. (The foregoing instruction has been added pursuant to U.S. Treasury Regulations governing tax practice effective on, or after June 20, 2005.)