
Tax Alert

Trade and Highway Bills Hold Surprises and Changes



TAX PRACTICE BOARD

Stephen Brecher

646.225.5921

Stephen.Brecher@WeiserMazars.com

Timothy Burley

212.375.6508

Timothy.Burley@WeiserMazars.com

Jeffrey Katz

212.375.6816

Jeffrey.Katz@WeiserMazars.com

Howard Landsberg

212.375.6604

516.282.7209

Howard.Landsberg@WeiserMazars.com

James Toto

732.205.2014

James.Toto@WeiserMazars.com

The Trade Bill contains hidden surprises, including penalties for taxpayers who file incorrect information returns or furnish incorrect payee statements.

On June 29, 2015, President Obama signed the Trade Preferences Extension Act of 2015 (P.L. 114-27) into law. This bill, which primarily deals with trade issues, also includes changes to the tax code that could prove costly for many businesses.

Beginning in 2016, the law raises penalties for filing incorrect information returns and for furnishing incorrect payee statements, under Sec. 6721 and Sec. 6722:

- The penalty for each individual violation increases from \$100 to \$250.
- The cap on total annual penalties for each category doubles from \$1.5 million to \$3 million.
- The penalty for returns corrected within 30 days is increasing from \$30 to \$50, with the maximum annual penalty cap is also increasing from \$250,000 to \$500,000.
- The penalty for returns corrected by August 1 is increasing from \$60 to \$100, with the maximum annual penalty cap also increasing from \$500,000 to \$1.5 million.

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- For taxpayers whose average annual gross receipts do not exceed \$5 million, the total annual cap on penalties is doubling from \$500,000 to \$1 million. Likewise, the penalty cap on returns corrected within 30 days is increasing from \$75,000 to \$175,000 and the penalty cap for returns corrected by August 1 is increasing from \$200,000 to \$500,000.
 - Where the penalty is imposed for intentional disregard, the penalty is increased from \$250 to \$500.

These penalties will apply to numerous tax forms, including, but not limited to:

- W2
- 1099 series
- 1098
- 1094 and 1095 (for minimum essential coverage under the ACA)
- 1042-S

Businesses can quickly accrue substantial penalties if they are not following proper procedures for issuing and filing standard forms. Taxpayers also face a raft of new forms that could trigger penalties due to the reporting requirements under the ACA, FATCA, and section 6050W (for payment processors who must file 1099-Ks). Penalties can be assessed for erroneous monetary amounts, payee surnames, and TINs.

Taxpayers facing penalties can seek abatements upon a showing of reasonable cause. However, businesses should review their procedures for complying with information reporting requirements before any penalties are assessed.

Please contact your WeiserMazars tax professional for more information.

Steve Brecher
Senior Advisor
PH: 646.225.5921
Stephen.Brecher@WeiserMazars.com

Ralph Loggia
Senior Manager
PH: 732.205.2025
Ralph.Loggia@WeiserMazars.com

Timothy Evans
Tax Senior
PH: 646.435.1580
Timothy.Evans@WeiserMazars.com

Nathan Pliskin
Tax Senior
PH: 516-620-6717
Nathan.Pliskin@WeiserMazars.com

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