



## **Faxing and third-party mailings of transcripts ending soon; webinar explains other options—**

The IRS [announced](#) that as part of security efforts it will stop faxing tax transcripts June 28, 2019 and will amend Form 4506 to end third-party mailing of tax returns and transcripts in July. Individuals will continue to have several options for obtaining documents by mail or online.

Tax practitioners will be able to use e-services and other methods for obtaining needed documents. The IRS is offering a webinar on the subject June 19 at 2:00 PM ET: [Tax Transcripts: Alternatives to Faxing and Third-Party Mailing](#). There is no CE for this webinar.

**Reminder: U.S. taxpayers living and working abroad must file 2018 taxes by June 17, 2019.** The June 17 deadline applies to U.S. citizens and resident aliens, including individuals with dual citizenship. The automatic two-month extension is available to individuals (including those serving in the military) whose tax home and abode are outside the U.S. or Puerto Rico. Taxpayers who cannot file in time to meet the deadline should file Form 4868 to get a four-month extension. In any case, interest still applies to taxes paid after the original April 15 deadline. See IRS news release [IR-2019-12](#).

## TAX NEWS

**Disaster Relief: Arkansas, Oklahoma, and South Dakota**—Parts of Arkansas, Oklahoma, and South Dakota have been declared major disaster areas because of severe late winter and spring storms. Disaster-related casualty losses for affected taxpayers may be claimed on 2018 or 2019 tax returns. Please see the article for applicable postponement dates. Also, check the IRS links for updates to the covered disaster areas. [Page 2](#)

**Interest Rate Decreases to 5 Percent for Third Quarter of 2019**—The interest rate for July through September of 2019 drops to 5% for overpayments and underpayments. The last interest rate decrease was in the last quarter of 2011. [Page 3](#)

## QUESTION OF THE WEEK

(*Note:* This is a follow-up to the QOTW of May 29, 2019.) Our client would now like to know what would happen if he either sold the laptops or bought them himself and then donated the proceeds to charity. Would he or the business be able to claim a deduction for the charitable contribution?

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## **DISASTER RELIEF—Arkansas, Oklahoma, and South Dakota**

Parts of Arkansas, Oklahoma, and South Dakota have been declared major disaster areas eligible for federal disaster aid to individuals and businesses.

Affected taxpayers have the option of claiming 2019 disaster-related casualty losses on their 2019 tax return filed next tax season or on an original or amended tax return for 2018. In addition, the IRS has postponed deadlines for affected taxpayers to file returns, pay taxes, and perform other time-sensitive acts.

Affected taxpayers are those who:

- Live in the covered disaster area
- Have a main place of business located in the covered disaster area
- Have books and records needed to complete the return located in the disaster area
- Assist government or qualified non-profit organizations in relief efforts
- Were injured or killed while visiting the area

**Note:** Generally, the IRS identifies affected taxpayers located in the disaster area and automatically applies filing and payment relief. Affected taxpayers outside the disaster area should call the IRS at 1-866-562-5227 to request tax relief.

**Arkansas disaster:** severe storms and flooding on May 21, 2019

**FEMA** disaster declaration announcement: [DR-4441](#) dated June 1, 2019

**IRS** release: [AR-2019-01](#) dated June 11, 2019

**Covered disaster area:** Conway, Crawford, Faulkner, Jefferson, Perry, Pulaski, Sebastian, and Yell Counties.

**Postponement periods:** Tax returns and other time-sensitive acts due on or after May 21, 2019, and before September 30, 2019 are postponed until **September 30, 2019**. This includes quarterly estimated income taxes due June 17, 2019, and employment and excise tax returns due July 31, 2019.

Employment and other excise tax deposits due on or after May 21, 2019, and before June 5, 2019, must have been deposited by June 5, 2019.

**Oklahoma disaster:** severe storms, tornadoes, straight-line winds, and flooding on May 7, 2019

**FEMA** disaster declaration announcement: [DR-4438](#) dated June 8, 2019

**IRS** release: [OK-2019-01](#) dated June 3, 2019

**Covered disaster area:** Canadian, Creek, Logan, Muskogee, Osage, Ottawa, Rogers, Tulsa, Wagoner, and Washington Counties.

**Postponement periods:** Tax returns and other time-sensitive acts due on or after May 7, 2019, and before September 16, 2019 are postponed until **September 16, 2019**. This includes quarterly estimated income taxes due June 17, 2019, and employment and excise tax returns due July 31, 2019.

Employment and other excise tax deposits due on or after May 7, 2019, and before May 22, 2019, must have been deposited by May 22, 2019.

**South Dakota disaster:** winter storms, snow storms, and flooding beginning on March 13, 2019

**FEMA** disaster declaration announcement: [DR-4440](#) dated June 7, 2019

**IRS** release: [SD-2019-01](#) dated June 11, 2019

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**Covered disaster area:** Bennett, Bon Homme, Charles Mix, Dewey, Hutchinson, Jackson, Mellette, Minnehaha, Oglala Lakota, Todd, Yankton, Ziebach Counties, the Cheyenne River Sioux Reservation, the Pine Ridge Reservation, and the Rosebud Reservation.

**Postponement periods:** Tax returns and other time-sensitive acts due on or after March 13, 2019, and before July 15, 2019 are postponed until **July 15, 2019**. This includes income tax returns due April 15, 2019 and quarterly estimated income taxes due April 15 and June 17, 2019.

Employment and other excise tax deposits due on or after March 13, 2019, and before March 28, 2019, must have been deposited by March 28, 2019.

## **INTEREST RATE DECREASES TO 5 PERCENT FOR THIRD QUARTER OF 2019**

The IRS announced in [IR-2019-103](#) and [Rev. Rul. 2019-15](#) that interest rates for the third calendar quarter of 2019 (beginning July 1) will drop to 5 percent. The rates are:

- 5 percent for overpayments (4 percent in the case of a corporation);
- 5 percent for underpayments;
- 7 percent for large corporate underpayments; and
- 2 1/2 percent for the portion of a corporate overpayment exceeding \$10,000.

An updated interest rate factor chart is posted to "[What are the IRS interest rate factors for late filed individual returns?](#)" in the [Tax Research Center](#). This chart has factors for the latest four years. Contact The Tax Institute through the Tax Research Center on DNA for factors for earlier years' returns.

## **QUESTION OF THE WEEK** (Note: This is a follow-up to the QOTW of May 29, 2019)

**Q.** We spoke with our client who is thinking of selling or donating his old laptops. We explained that because he previously made the de minimis safe harbor election to expense the cost of the laptops, gain on a sale would be ordinary gain and his basis would be \$0 for charitable contribution purposes. The client would now like to know what would happen if the business sold the laptops and then donated the proceeds to charity. Would the business be able to claim a deduction for the donation in that case? Or, if he bought the laptops himself and then made a personal donation would he be able to claim the contribution on Schedule A?

**A.** Any sale of the laptops and subsequent donation of the proceeds to charity (as opposed to donating the laptops to charity) would involve two separate and unrelated transactions, a sale and a cash contribution.

As explained previously, the sale would result in ordinary gain to the business, whether the laptops are sold to a third party or your client buys them himself. If your client buys the laptops himself, he should make sure to document how he arrived at the sales price and to record the sale in the company's records.

In general, a sole proprietorship cannot claim a deduction for a charitable contribution. The business may be able to deduct an amount paid to a charitable organization if the payment is made for a business reason. For example, a part or all of a donation made to advertise in the organization's publication may be an advertising expense rather than a charitable contribution. See "charitable contributions" in IRS [Pub. 535](#), *Business Expenses*.

Otherwise, if your client itemizes deductions, he can deduct on Schedule A charitable contributions made by the business or that he makes personally. The fact that the cash donation is made from sale proceeds has no bearing on the deductibility of the contribution. Note however that if there is no business purpose for the contribution and thus no Schedule C deduction *and* your client does not itemize deductions there will be no tax benefit to the contribution.