



EA Inactivation and Termination Letters—The Return Preparer Office (RPO) at the IRS has started sending inactivation and termination notices (Letters 5507 and 5508 respectively) to Enrolled Agents with SSNs ending in 0, 1, 2, or 3 who failed to renew. Those who did not renew for the [2019 cycle](#) will be moved to inactive status. Anyone in inactive status can still, within three years of inactivation, submit a late renewal with proof of continuing education. Those who did not renew for the 2016 *and* 2019 cycles will be placed in terminated status and must retake the Special Enrollment Exam (SEE) in order to reapply for enrollment. Letter recipients with questions should call the contact person shown on the letter.

TAX NEWS

IRS Sends Letters to Virtual Currency Owners—The IRS is in the process of sending letters to more than 10,000 taxpayers who have virtual currency transactions. There are three different letters, all designed to educate U.S. taxpayers on their obligations to report worldwide sales and other dispositions of virtual currency. One of the letters is sent to taxpayers who may be non-filers or who did not report virtual currency transactions. These taxpayers must respond to the notice by filing a tax return or providing a sworn statement explaining their situation. [Page 2](#)

Heavy Highway Vehicle Use Tax Deadline Approaching—The deadline for filing Form 2290, *Heavy Highway Vehicle Use Tax Return*, is September 3, 2019 for the taxable period that runs from July 1 through June 30 each year. A taxable vehicle is one that has a gross weight of 55,000 pounds or more and is driven on public highways in the U.S., Canada, or Mexico. [Page 2](#)

QUESTION OF THE WEEK

A client's husband passed away in February of 2019. She is planning to marry again in September 2019. How does her deceased husband's return get filed? Can she choose whether to file a joint return with her late husband instead of her new husband? [Page 3](#)

FEATURED INSIGHTS

Income generated from virtual worlds is still taxable in the real world— People who make money on Pokemon Go! or other virtual games might catch a tax bill with the IRS. [Full insight](#). View all insights at www.thetaxinstitute.com/insights/.

IRS SENDS LETTERS TO VIRTUAL CURRENCY OWNERS

The IRS recently started sending letters to taxpayers who have virtual currency transactions. According to news release [IR-2019-132](#), the letters inform taxpayers that they potentially failed to report income from their virtual currency transactions and pay the resulting tax. Or, they did not report virtual currency transactions properly. The IRS expects to notify more than 10,000 taxpayers by the end of August.

Virtual currency is considered property for federal income tax purposes. U.S. taxpayers must report all sales, exchanges, and other dispositions of virtual currency, including the exchange of one type of virtual currency for another, whether the account is held in the U.S. or abroad. Transactions involving virtual currency purchased as an investment are similar to transactions involving stock investments.

Taxpayers will receive one of three letters informing them that the IRS has information about one or more virtual security accounts the taxpayer may have and explains the taxpayer's obligations.

- Letter [6173](#) is sent to taxpayers who did not file returns or did not report virtual currency for one or more years for the period 2013-2017. This letter requires a response from the taxpayer: either a tax return, or amended return, or provide a statement, signed under penalty of perjury, explaining the facts of the situation. The taxpayer should send the response by the "respond by" date shown on the letter. Taxpayers who do not respond by the date on the letter may be referred to examinations and risk being audited.
- Letter [6174](#) is partly educational. It explains the proper way to report virtual currency transactions and does not require a response to the letter. However, taxpayers who learn they should have reported virtual currency transactions differently after reviewing the letter should file amended or delinquent returns with "Letter 6174" at the top of the first page.
- Letter [6174-A](#) is partly educational too; it does not require a response to the letter. Taxpayers who learn they should have reported virtual currency transactions differently after reviewing the letter should file amended or delinquent returns with "Letter 6174-A" at the top of the first page. Letter 6174-A also suggests the taxpayer may receive other correspondence about potential compliance actions in the future.

See IRS [Notice 2014-21](#) for guidance on virtual currency. Note: Although "virtual currency" and "cryptocurrency" are used interchangeably, the letters indicate taxpayers may have non-crypto virtual currencies that are subject to the same compliance rules.

HEAVY HIGHWAY VEHICLE USE TAX DEADLINE APPROACHING

IRS news release [IR-2019-138](#) reminds taxpayers who have registered a taxable highway motor vehicle under state law to file IRS [Form 2290](#), *Heavy Highway Vehicle Use Tax Return*, by September 3, 2019. A taxable highway motor vehicle is defined as a vehicle with a gross weight of 55,000 pounds or more that is driven on public highways in the U.S., Canada, or Mexico.

The vehicle use tax is an excise tax that is paid for the taxable period that runs from July 1 of the current year through June 30 of the following year. Tax is prorated for vehicles first placed in service after July 31. The form is used to figure and pay the tax, claim a credit for a vehicle that was sold or disposed of, or claim a suspension (exemption) for a vehicle used 5,000 miles or less.

See the form [instructions](#) for information on when and how to file the return and other details about the tax. Taxpayers are strongly encouraged to [e-file](#) the form (those with 25 or more taxed vehicles *must* e-file). Also, the IRS's [Trucking Tax Center](#) provides up-to-date information on paying the tax and links to other resources for truck owners.

QUESTION OF THE WEEK

Q. A client's husband passed away in February of 2019. They filed joint returns throughout their marriage. She is going to get married again *this* September. She will probably file a joint return with her new spouse, but how does her deceased husband's return get filed? Can she choose whether to file a joint return with her late husband instead of her new husband? She is the executor of his estate.

A. The filing status for the late spouse's return is married filing separately (MFS). There are no options for your client to file a joint return with the deceased spouse.

Generally, married taxpayers may file a return using the married filing joint (MFJ) filing status if one spouse dies during the tax year or dies after the close of the tax year but before filing a return for that year. However, the surviving spouse may not file a joint return with the decedent if she remarries before the end of the year of the decedent's death. Thus, the filing status for the decedent's final return is married filing separately.

Your client may file a joint return with her new husband or, if she wishes, file separately as well. See "Joint Return" in IRS [Pub. 559](#), *Survivors, Executors, and Administrators*.