

Sentinel

Personal Financial Management Ideas

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New Tax Rules, Responses In 2013

By Shomari Hearn, EA, CFP®

Recent tax law changes will impact many taxpayers in 2013, even those who don't meet the government's various definitions of "high-income."

Income Taxes

As has become customary in the last couple of years, Congress waited until the eleventh hour to pass new tax legislation — in this case, the American Taxpayer Relief Act of 2012 (ATRA), signed into law on Jan. 2, 2013. Had Congress not acted, the tax component of the "fiscal cliff" would have taken effect, resulting in higher income tax bills for all taxpayers.

For income tax purposes, Congress has defined high-income taxpayers as single individuals, heads of households and married couples filing jointly who have taxable incomes of at least \$400,000, \$425,000 and \$450,000, respectively. Under ATRA, all taxable income above these thresholds is now subject to a maximum federal rate of 39.6 percent on ordinary income, which includes wages, interest income, business income and short-term capital gains. ATRA also increased the tax rate on long-term capital gains (realized upon the sale of investments held for more than one year) and qualified dividends for these top earners from 15 percent to 20 percent.

For those with taxable incomes below the aforementioned amounts, ATRA made the once-temporary Bush-era marginal income tax rates permanent. These include the 15 percent rate on long-term capital gains and qualified dividends for most taxpayers. Further, taxpayers in income tax brackets of 15 percent or lower will continue to enjoy long-term gains and qualified dividends completely free of federal tax.

ATRA replaced the top federal income tax rate for estates and trusts, formerly 35 percent, with the new 39.6 percent

rate. Because tax brackets for estates and trusts are compressed compared with brackets for individuals, the top rate applies to any taxable income in excess of \$11,950 that remains in a trust or estate.

Stealth Taxes

The tax rate increases described above are straightforward. Much less so is the revival of limitations on itemized deductions and the personal exemption phaseout, both of which had been temporarily eliminated under the Economic Growth and Tax Relief Reconciliation Act of 2001. The reinstatement of these provisions will result in higher tax bills for many individuals and families below the top 39.6 percent tax bracket.

Itemized deductions and personal exemptions are subtracted from a taxpayer's adjusted gross income (AGI) to determine his or her taxable income. The reinstated provisions limit the total amount of itemized deductions (such as mortgage interest, property taxes, and charitable contributions) and personal exemptions that households may claim after their AGIs exceed certain thresholds. The thresholds for 2013 are \$300,000 for married couples filing jointly and surviving spouses, \$275,000 for heads of households, \$250,000 for unmarried individuals and \$150,000 for married

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The Fine Art Of Establishing Value

By Larry M. Elkin, CPA, CFP®

Tax planning is not a glamorous profession, which is why Hollywood probably won't release a summer blockbuster starring George Clooney or Jason Statham as a CPA with nothing to lose.

But now and then, you find yourself staring down the wallet of an imaginary Chinese billionaire.

The heirs of modern-art dealer Ileana Sonnabend faced exactly this improbable scenario when the Internal Revenue Service challenged their valuation of a particular art piece: "Canyon," a collage by Robert Rauschenberg. Sonnabend's heirs had already sold several pieces of her collection to pay a hefty estate tax bill. But "Canyon," arguably the piece with the highest profile, was not eligible for sale because it incorporates a stuffed bald eagle. (Sonnabend had a special permit to own and lend the work to museums in the United States, but selling a protected species' remains, or possessing them without a permit, is illegal.)

Appraisals from Christie's and two others supported the decision to value it at zero on Sonnabend's estate tax return, since the work could not legally be sold. The IRS, however, valued "Canyon" at \$65 million, which resulted in an additional tax bill of \$29 million (the heirs had already paid more than \$470 million in federal and New York taxes on an estate worth about \$1 billion), as well as a "gross valuation misstatement" penalty.

Even in the context of a \$1 billion estate, the gap between zero and \$65 million is wide. In this case, it was exceeded only by the gap between fantasy and reality.

Taxpayers and the IRS both hire appraisers to estimate the worth of assets that, unlike cash or publicly traded stocks, have no readily determined value. The appraisers are supposed to determine "fair market value," defined as the price at which a property would change hands between a buyer and seller who were both willing and knowledgeable.

The Sonnabend estate determined that "Canyon" was worth nothing because no buyer or seller could legally exchange it at any price. Consequently, the estate could not even claim a tax deduction if it chose to donate the work to a museum, since such deductions are also based on fair market value. The estate clearly had both law and logic on its side.

But the IRS did not consider itself bound by law or logic. The agency's appraisers valued "Canyon" solely on its artistic merit without regard to the legal restrictions on its sale. In other words, they determined that "Canyon" would sell for \$65 million, in a world in which "Canyon" could be sold.

The IRS could not pursue the \$29 million it convinced itself it was owed unless it first got past the problem that the tax code requires a hypothetical willing buyer and willing seller to agree on a price for an equally hypothetical transaction, which in this case was prohibited by federal statute.

Enter the imaginary Chinese billionaire.

Ralph E. Lerner, the lawyer who represented the Sonnabend estate, contacted the chairman of the IRS art panel to inquire how it could support its \$65 million valuation for a work that has no market. According to him, the panel's chairman claimed that a hypothetical, though highly illegal, market could exist if a hypothetical Chinese billionaire was willing to buy "Canyon" and hide it. This scenario also required the concurrent assumption that the Sonnabend estate, which had already paid more than \$470 million in compliance with the law, would be willing to break it to sell an unsalable and world-renowned work of art.

The IRS argued that fair market value includes black market value. Who says government workers can't be creative? The idea might not fly if a screenwriter pitched it to a film producer, but the tax auditors had no qualms about putting it in their report.

Lerner sued the IRS on the Sonnabend family's behalf. Eventually, as part of a \$41 million settlement, the heirs agreed to donate the collage to The Museum of Modern Art in New York. The IRS dropped the tax assessment, and the family agreed that it would not claim any tax deduction, which, in all likelihood, it never planned to do anyway.

Most of us will never get the chance to spitball ideas like fantasy Chinese billionaires with IRS estate tax examiners. This year's fiscal cliff compromise set a high ticket price to get into that audience, as each of us gets a \$5.25 million lifetime exemption from transfer taxes, a figure indexed for

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INVESTMENT FOCUS

Curious Case Of The Shanghai Exchange

By Paul Jacobs, EA, CFP®

Imagine two countries. In one, the economy grows slowly and its stock market moves at a similar pace. The other country's economy grows by leaps and bounds, but its stock market just seems to get worse and worse.

I have just described the current state of affairs in the U.S. and mainland China.

In the last five calendar years, U.S. Gross Domestic Product has grown approximately 12 percent on a cumulative basis, to over \$15 trillion. Meanwhile, the U.S. stock market (measured by the S&P 500 Index, including dividends) has cumulatively grown by slightly over 8 percent. There have been ups and downs along the way, but both measures remain relatively flat. China's GDP, on the other hand, has been off the charts. Over the last five years it has grown 136 percent, to over \$8 trillion. But despite this booming growth, the Shanghai Stock Exchange Composite Index, the main stock market in mainland China, has declined over 50 percent.

That is not a typo. A typical investor might expect China's markets to be lapping those in the U.S. by a wide margin, given the difference in the countries' GDP growth. Nor is the Shanghai Stock Exchange some fly-by-night market; by market capitalization it is the sixth largest market in the world. Why is such a big stock market in a country experiencing rapid growth such a mess?

There is not a simple answer to this question. There are many factors contributing to the Shanghai index's underperformance.

First of all, there was a bubble in the Shanghai market during 2006 and 2007. This wasn't just any bubble; the market more than quadrupled. From its peak in late 2007, the Shanghai market had dropped over 60 percent by the end of 2012. While the bubble had a dramatic impact on the index's 5-year return, if we go back even farther, the

numbers are still surprisingly weak. Over the last 10 years, the U.S. GDP has grown 47 percent on a cumulative basis, while the stock market has nearly doubled. At the same time, China's GDP grew over 467 percent, while the index only grew 67 percent. Based on these numbers, problems with the Chinese stock market go deeper than the recent bubble.

An important consideration that may account for some of the discrepancy is that the Shanghai stock market is largely closed to foreign investors. The exchange lists "A-shares" and "B-shares." A-shares make up over 99 percent of the market and, unlike B-shares, are generally available only to Chinese nationals.

Partly as a result, mom and pop investors make up approximately 80 percent of those investing in the market in Shanghai, unlike American markets, where large investors such as pensions, hedge funds and financial institutions play a major role. Many investors, both in China and abroad, gave up on investing in Chinese stocks after the bubble burst and haven't returned. Additionally, due to China's higher interest rates and lack of a social safety net like Social Security, many Chinese investors choose to focus on more conservative bank-sold products instead.

Because of this reluctance from Chinese investors, and perhaps also as a result of the restrictions on foreign investors, Shanghai's supply of stocks has outpaced demand. Unlike the U.S., where initial public offerings have dropped off steadily in recent years, Shanghai has continued to see many new companies enter its market. The number of U.S.-listed companies peaked at 9,000 in 1997; it has since dropped to below 5,000. Over 2,000 listed securities are already traded on the Shanghai exchange, and recent data released by China's securities regulation entity indicated there are over 800 IPO deals in the pipeline for A-shares.

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Differences in corporate culture may also make it hard for the Shanghai exchange to lure or retain investors. For example, Chinese firms appear less willing to pay dividends, which might make up for an otherwise weak return on investment. Sixty percent of Shanghai-listed companies currently pay no dividends at all. The exchange itself recently required that companies either pay out 30 percent of their profits as shareholder dividends or explain why they cannot do so in their annual reports. In the U.S., the average dividend payout ratio is approximately 30 percent, and companies also return substantial amounts of cash to investors using share repurchases.

Besides the Shanghai market's low returns, investors may also be wary because of poor disclosure. Not only are documentation standards lower than in the U.S. and much of the West, Chinese accounting standards are more lenient too, making it easier for the Chinese firms listed in the exchange to misrepresent their financial situations. This may undermine investors' confidence, especially for foreign investors.

Ultimately, comparing the markets in the U.S. and Shanghai is not a fair, apples-to-apples comparison. After all, the U.S. economy is much more solidly grounded in capitalist principles. Its stock exchange is, by and large, used as a means to allocate capital and to reward growing companies and their shareholders. The Shanghai exchange seems to be used largely as a means for the state to recapitalize or restructure its own companies. The efficiency of its market is a secondary concern.

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taxpayers filing separately. These will be adjusted for inflation annually.

The "Pease" limitation, named after the late Rep. Donald Pease, D-Ohio, reduces a taxpayer's itemized deductions by 3 percent of his or her AGI above the threshold, but not by more than 80 percent of total itemized deductions. For a married couple with adjusted gross income of \$425,000 and \$50,000 in itemized deductions, their allowed deductions would be reduced by \$3,750, resulting in additional income tax of about \$1,240.

The personal exemption amount for 2013 is \$3,900. A family

It wouldn't be appropriate to leave the Hong Kong Stock Exchange out of this discussion. More evidence of the problems in Shanghai's exchange can be seen by comparing its performance to the Hong Kong market. After all, both markets offer exposure to stocks in the same region, but stocks on the Hong Kong exchange offer better disclosure and are available to foreign investors. Over the past 5 years, the MSCI Hong Kong Index appreciated 4 percent (compared to the over 50 percent drop in Shanghai), and its 10-year return is 257 percent.

As an investment adviser, Palisades Hudson Asset Management allocates a portion of each client's portfolio to Chinese stocks. However, virtually all of this exposure is purchased through the Hong Kong exchange. Two of the funds Palisades Hudson uses own shares in China Vanke, a major real estate developer whose stock is traded in mainland China as a B-share. However, the company announced in January 2013 that its stock would migrate to the Hong Kong exchange. The company's stock jumped 10 percent immediately after the announcement.

Some analysts believe the Shanghai market is currently undervalued, and continue to wait for the cyclical rebound they believe is inevitable. A more likely outcome is that, over time, the Shanghai exchange will make adjustments to become more similar to Hong Kong and other major exchanges. There are many roadblocks preventing the Shanghai market from attracting investors looking to generate wealth. Only after removing those roadblocks and letting capital flow more freely will this huge market become one worth entering.

of four's exemptions could total as much as \$15,600 of untaxed gross income. Under the phaseout, however, the total amount of exemptions a taxpayer may claim is reduced by 2 percent for every \$2,500, or portion thereof, by which her AGI exceeds the applicable threshold. Assume that the married couple mentioned in the previous example has two young children. Their personal exemptions will be reduced to zero under the phaseout, resulting in additional income tax due of about \$5,150. Although they would not be subject to the 39.6 percent income tax rate (their taxable income, \$378,750, is below the applicable

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threshold), they would see their tax bill increase by as much \$6,390, assuming their AGI and deductions stayed constant between 2012 and 2013.

The Patient Protection And Affordable Care Act

In addition to the tax law changes that took effect under ATRA, a Medicare surtax on earned income and net investment income now affects high-income taxpayers. This surtax is imposed under the Patient Protection and Affordable Care Act to help pay for health care reform. However, the definition of a high-income taxpayer has a much lower threshold under the Affordable Care Act than under ATRA.

Unmarried employees and self-employed individuals with earned income above \$200,000 (above \$250,000 for married couples filing joint tax returns and above \$125,000 for married couples filing separately) will pay an additional 0.9 percent on wages surpassing that threshold. Employers are responsible for withholding this additional Medicare tax once an employee's wages and compensation reach \$200,000 for the year. However, the employer is not responsible for taking into account any compensation the employee may earn outside of the company, or the wages of the employee's spouse, when determining its withholding requirement. In either of these cases, the taxpayer must be aware of her exposure to the surtax and either request that additional taxes be withheld from her compensation by filing a Form W-4, Employee's Withholding Allowance Certificate, or remitting the additional tax by making estimated tax payments. The self-employed or their tax preparers will also need to factor in the additional tax when computing quarterly estimated tax payments for 2013. Otherwise, they may incur underpayment penalties and interest charges.

The Affordable Care Act also imposes a 3.8 percent tax on unearned net investment income. The act broadly defines unearned investment income to include interest, dividends, annuities, royalties, rents and capital gains that are not derived in the ordinary course of trade or business. The tax will apply to the lesser of net investment income or the modified adjusted gross income (MAGI) amount exceeding the \$200,000/\$250,000 thresholds established for earned income. For example, an unmarried taxpayer has \$230,000 of MAGI, including \$50,000 of net investment income. She would pay health care tax of \$1,140 on \$30,000, the amount of investment income that pushes her MAGI above the \$200,000 threshold, rather than the entire \$50,000.

Combining the tax law changes of ATRA and the Affordable Care Act, taxpayers subject to the 39.6 percent income tax rate will now pay top effective tax rates of 23.8 percent on long-term capital gains and qualified dividends and 43.4 percent on short-term gains and other investment income. An increase in tax rates of 8.8 percent and 8.4 percent, respectively, is quite significant. These rates also apply to trusts and estates.

Reducing Exposure To The Additional Tax Bite

To minimize the blow of these additional taxes, reduce your adjusted gross income. Maximizing contributions to qualified retirement plans, such as 401(k)s, Simplified Employee Pensions (SEP) IRAs, SIMPLE IRAs and cash balance plans is a great start. Consider making gifts of appreciated securities to children and other family members in the 10 and 15 percent income tax brackets, especially if you are subject to the 39.6 percent income tax rate and to an effective long-term capital gains rate of 23.8 percent. The qualified dividends paid by these securities, as well as the long-term gains realized from selling them, will be tax-free for lower-income taxpayers, increasing your gift's value while reducing your income.

Going forward, trustees should strongly consider whether it would be more tax-effective to distribute income to trust beneficiaries in lower tax brackets. Trusts don't have to generate much income to pay top marginal tax rates, because trust income tax brackets are so compressed. If the beneficiaries are subject to the 15 percent tax bracket or lower, and including trust distributions in their incomes wouldn't push them into higher brackets, the trust income may escape taxation entirely. Even if the beneficiaries are in higher tax brackets but are not subject to the top tax rate, distributing the income may at least avoid exposure to the Medicare surtax. Similarly, if trustees plan to sell appreciated securities to cover trust distributions, they should consider distributing the securities directly to the intended beneficiaries so that they may sell them instead.

Federal Estate And Gift Taxes

Many estate-planning attorneys and financial advisers, including those at Palisades Hudson, were working at a frenetic pace to help high-net-worth clients establish and fund

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irrevocable trusts before 2012 ended. We were concerned that, without congressional intervention, the \$5.12 million federal gift and estate tax exemption would be reduced to \$1 million per taxpayer and that the top marginal gift and estate tax rate of 35 percent would increase to 55 percent in 2013. Instead, ATRA made permanent the \$5 million exemption, adjusted for inflation annually (the figure is \$5.25 million in 2013) and a maximum federal estate tax rate of 40 percent for estates of decedents dying in 2013 or later.

Under ATRA, the \$5 million generation-skipping transfer (GST) tax exemption was also indexed for inflation. For 2013, the GST exemption is also \$5.25 million, and amounts in excess of the exemption are taxed at a rate of 40 percent. The GST tax, however, is separate and levied in addition to the federal gift and estate tax. It applies to transfers made to grandchildren and more remote descendants.

ATRA also made portability permanent. Portability is a mechanism that allows a surviving spouse to apply any remaining exemption that her deceased spouse did not use to

transfers she may make during her lifetime and upon her own death. Therefore, portability can be an effective estate-planning tool for married couples. The deceased spouse's estate must file a federal estate tax return (Form 706) to make the portability election. It is important to keep in mind that portability does not apply to the GST tax exemption, so if the first spouse to die does not use all of his GST exemption, the remainder could be wasted without careful planning.

For 2013, the annual gift tax exclusion amount, which adjusts for inflation annually, was increased to \$14,000. As a result, taxpayers can make gifts of up to \$14,000 per person (and married couples may make gifts of up to \$28,000 per person) without using any of their available lifetime exemption or triggering any gift taxes.

Because of the significance of the tax law changes in 2013, it is best to consult an experienced tax adviser to determine how they will impact your personal situation. Effective planning early in the year will likely save you some money come April 2014.

Other Noteworthy Tax Changes

The American Taxpayer Relief Act contains several other noteworthy tax law changes and extensions for 2013:

IRA Distributions To Charity — Through the end of 2013, taxpayers age 70½ and older are allowed to distribute up to \$100,000 tax-free from their traditional IRAs to public charities.

State And Local Sales Tax Deduction — The choice to claim an itemized deduction for state and local general sales taxes in lieu of state and local income taxes has been extended through 2013.

Education Credit — The American Opportunity Tax Credit has been extended through 2017. It provides qualified taxpayers with a maximum tax credit of up to \$2,500 per eligible student for qualified tuition and related expenses incurred during the tax year.

Student Loan Interest Deduction — Voluntary interest payments are now deductible. You can deduct the full amount, up to \$2,500 annually (subject to income phaseout limitations), even if you paid more than required. And you

can now deduct interest for the entire loan term, not just for the first 60 months as under prior law.

Mortgage Insurance Premium — The provision to treat mortgage insurance premiums as deductible interest has been extended through the end of 2013.

Home Office Deduction — The self-employed and employees who are required to maintain home offices by their employers may now deduct \$5 per square foot for home office expenses, up to a maximum of \$1,500. This can make life a little easier for small business owners who keep poor records. However, they should still determine whether filing for a home office deduction the traditional way would provide a greater tax benefit.

Small Business Expensing — The dollar and investment limits for deducting the cost of capital assets purchased during the tax year, instead of claiming depreciation deductions over the life of the assets, has been extended through 2013. Under Internal Revenue Code Section 179, the dollar limit is \$500,000 and the investment limit is \$2 million this year.

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inflation. You have to be a genuine high-net-worth A-lister to get the agency's real creative types to pay attention to you. But if you make the cut, they will routinely show you their unique kind of love.

I have seen this movie before, though on a much lower budget than the "Canyon" blockbuster. A client of ours some years back commissioned an outdoor jade sculpture, comprising three large stones. I walked past the polished stones in the client's yard many times without giving them a second thought. After the client died, we had the sculpture appraised professionally; the fair market value came to \$25,000. The IRS, however, claimed that the sculpture should be worth \$45,000, a number it apparently produced by ignoring market conditions during the financial crash (which is when the client happened to die), and by claiming that breaking up the site-specific installation to either transport it or to sell in components would not reduce its value.

This real-world example is a much lower-value but much more typical case. The IRS, upon disagreeing with a taxpayer's estimate, pulled its own number out of very thin air.

In fairness, many taxpayers must also pull numbers out of a rarefied atmosphere, because no actual transaction has happened on which to base a tax. Fair market value, under our current estate tax system, is often based on guesses, some of which are more educated than others.

Taxpayers may act in the best of faith; they may hire one or more highly qualified appraisers; they may regularly update their appraisals to reflect changing market conditions and demand. At the end of the day, however, no sale has taken place, so the numbers cannot be pinned down with anything like certainty.

We have seen the IRS attempt to value businesses and heirlooms during the financial crash as though the crash had never happened. The agency takes the incongruous position that, since nobody was willing to sell at the fire-sale prices that existed in 2008 and 2009, those prices were not relevant in determining value. The IRS wants to value things at what sellers wished they could have gotten for them, instead of what they could have actually gotten — much as in the case of the jade sculpture or "Canyon."

The indexed \$5.25 million per-person exemption ensures that most Americans will never have to deal with this legal

mess. But those who do will continue to face the unpredictability and the unfairness of having to ransom family possessions from the government just because someone died. Or, as in the case of "Canyon," having to give those possessions away.

The simple and logical answer is to get rid of the estate and gift tax completely, which is what happened to the estate tax (though not the gift tax) in the single halcyon year of 2010.

The simple and logical answer is to get rid of the estate and gift tax completely, which is what happened to the estate tax (though not the gift tax) in the single halcyon year of 2010. The government could then eliminate or limit the step-up in basis that forgives capital gains tax

at a person's death. Instead of being forced to liquidate assets to pay an estate tax immediately, heirs would keep the original cost basis on the assets they inherit, and they would pay the appropriate capital gains taxes whenever they actually sold the assets. This would provide both an accurate market value and the cash with which to pay the tax. Uncle Sam would get his due, and neither party would be required to guess what a willing buyer might pay, or what laws the buyer and seller might be willing to break.

Some people, mainly those who sell estate tax-planning services for a living, argue that it is difficult or impossible to track cost basis across generations. In some cases it is, though bad recordkeeping is not the government's fault. When the taxpayer cannot show the correct cost basis, the law already entitles the IRS to assume it is zero. This allows the agency to tax the entirety of the asset's value whenever it is finally sold, which is a fair result.

This approach would allow the government to collect its tax on a work like "Canyon" if, and only if, a Chinese billionaire actually emerges to buy it. After all, art is subjective, but taxes shouldn't be.

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IRS Will Keep Fighting Tax-Saving Gift Structures. The Internal Revenue Service says it will continue to litigate cases in which taxpayers seek to specify the value of gifts they make to avoid triggering unanticipated taxes. The agency suffered a major setback last year in *Wandry v. Commissioner*, in which the Tax Court rejected IRS arguments that such “formula” gifts violate public policy. In *Wandry*, the taxpayer made gifts of a closely held business under a document that established dollar limits on each gift, based on the value ultimately determined by the tax authorities. This prevented the IRS from assessing additional tax, because an auditor’s increase in the value per share would result in fewer shares changing hands as part of the gift. Tax Court Judge Harry Haines ruled that public policy is not violated by such gifts, observing: “The Commissioner’s role is to enforce tax laws, not merely to maximize tax receipts.” But the IRS announced its “nonacquiescence” to Haines’ decision, meaning it will continue to challenge such clauses in court. *AOD 2012-04*, Internal Revenue Bulletin 2012-46.

Tax Preparer Regulation Program Halted. In another legal setback for the IRS, a federal judge ruled that the agency has no legal authority to regulate tax return preparers. U.S. District Judge James Boasberg of Washington, D.C., struck down a set of standards requiring tax preparers to pay a registration fee to the IRS, pass a test and take regular continuing education classes. Boasberg rejected the IRS position that, as an arm of the Treasury, it had authority to regulate preparers under a law dating to the 1880s, decades before the current income tax system was established.

Boasberg also rejected an IRS request to delay his decision’s effective date to allow the new regulations to take effect this year. The IRS said it will appeal. *Loving v. Internal Revenue Service*, No. 12-385.

Taxpayer Gets A Break To Reverse An IRA Conversion. A taxpayer who was experiencing financial hardship, acting on bad financial advice, converted a regular IRA to a Roth IRA without realizing this would trigger a large tax bill. The taxpayer’s tax adviser compounded the problem by not alerting the taxpayer that the Roth conversion could be reversed, or “recharacterized,” any time before the taxpayer’s tax return was due. The deadline passed, and the taxpayer was stuck with the unwanted tax liability. But the IRS granted the taxpayer special relief and allowed an additional two-month window to reverse the conversion, finding that the taxpayer had acted reasonably and in good faith by relying on professional advisers. *PLR 201301020*.

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