

Question and Answers: Keepseagle Tax Clinics

From the Webinar of February 8, 2013

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Tax laws and regulations change frequently, and their application can vary widely based on the specific facts and circumstances involved. The tax information contained in these educational materials and discussed during the accompanying oral presentation is for informational and educational purposes only and does not constitute legal or tax advice. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Questions & Answers

- General Advice to Conveners and Presenters: IMPORTANT
- We are NOT allowed to give Individual Tax Advice to individual Keepseagle Claimants. To do so would be to incur possible personal or professional liability for the actions of the claimants in reliance on your individual advice to them.
- The purpose of these Clinics is to get the educational information provided through the presentations of February 15, 2012 (webinar) and the associated power point presentations and questions/answers into the hands of Keepseagle claimants AND their tax advisors so that they can take appropriate action.
- Please advise - - multiple times - - at the sessions you will convene, that all Keepseagle claimants must file tax returns as their settlement received is reportable income. Please impress upon the participants that they need to find a tax advisor locally to assist them.

Questions & Answers

- General Advice to Conveners and Presenters: IMPORTANT
- Tax advisors are needed locally in order to assist individuals in other local/state tax situations that could also be impacted by this claims settlement income.
- Do NOT give individual tax advice.
- Tax education clinics are a common occurrence in the ag sector - - provided by the Extension system through ag tax professionals, many of whom are involved in this effort. They regularly provide EDUCATION information - - they do NOT provide individual tax advice.
- Finally, please use this opportunity to direct individuals to the various business management and tax management tools available to them through our normal education (farm financial management, risk management, business management, legal management) avenues. This information is invaluable to building strong, successful farm and ranch businesses.

Questions & Answers

- Q: Who is teaching individual workshops
- A: Conveners include FRTEP, Extension Risk Management Education folks, Extension Ag Tax folks, IAC Technical Assistance Network folks. Goal is to have a group of folks to get basic information to you and gather up questions. We will NOT do individual tax returns. We are providing educational information and help find answers to general questions. You need your own tax professional/advisor to review the information.

Questions & Answers

- Q: Its not 2012 but 2013 that I have to worry about in my case
- A: The payment was received in 2012 and should be dealt with when you file your returns for the 2012 time period. Work with your tax advisor to determine when you will be filing the proper tax forms.

Questions & Answers

- Q: Why are the tax clinics being held where they are?
- A: We hosted clinics where we understood clusters of Keepseagle claims recipients lived (by general zip code). The clinics are also being held where we know Native farmers and ranchers may be attending meetings.
 - No one can find out who the claimants are - - that information is under protective order and the tax clinic educators do not have any idea who individual recipients might be unless they are told someone received a claims payment

Questions & Answers

- Q: If I haven't received a "USDA FARMERS PROJECT CERTIFICATION" form, how do I get one?
- A: Contact the Claims Administrator at 1-888-233-5506. Heirs that received funds need to fill out this form so that they are not taxed at the 35% rate for estates.

Questions & Answers

- Q: Can I file again if my claim has been denied.
- A: No. If you did not receive payment after your claim was filed, and your claim was denied, you will not be able to file a claim again. The denial was a final, non-appealable decision.

Questions & Answers

- Q: My father passed away and there are 7 heirs. 5 of the heirs are filing tax returns and 2 are not planning to file. What should we do.
- A: All recipients of a claims payment, either directly or through the estate of a loved one, should file. All the individuals who are planning to file should fill out a “USDA Farmers Project Certification Form” in order to “sprinkle the \$12,500 among all the beneficiaries”. Fill it out as best you can, even if you don’t have the social security number of some of the other heirs.

Questions & Answers

- Q: What about an individual that received a 1099-MISC but didn't receive a 1099-C but did receive debt forgiveness/debt relief.
- A: Just because you didn't receive a 1099 doesn't mean it is not taxable. If you believe that you didn't receive all the proper 1099 forms, contact the Keepseagle Claims Administrator and get a proper 1099. If the taxpayer knows the correct number, they have to report it anyway. Definitely call the Claims Administrator if you feel you don't have all the right forms.

Questions & Answers

- Q: I received a 1099 for an estate. The 1099 used the SSN of the deceased, and not the 1099 for the estate. The deceased passed over 10 years ago. The heirs don't want to file tax returns.
- A: Income distribution deduction - - is commonly used in estate distributions. K-1 forms are commonly used in these types of situations. Your tax preparer should consider utilizing the K-1 estate forms with explanations to the IRS and to the appropriate beneficiaries so that proper reporting can occur. Also, the Certification Form may need to be regenerated or amended so that the heirs can properly receive their distribution and have it reported properly. Some states require the estates to be closed after some time and some states allow estates to be open for many decades. How this information is dealt with may depend on the state in which you live. You **MUST** check with your tax preparer to make sure these issues are properly dealt with in your filings.

Questions & Answers

- Q: What about an individual who has never filed taxes on ranching operations but received debt forgiveness.
- A: Maybe the person never had income or expenses that are reportable. But if they received debt forgiveness and claims payment, it must be reported. You must check with your tax advisor.

Questions & Answers

- Q: I have never filed before - - how far back can the IRS go in determining my tax liabilities?
- A: Did you have any income that was taxable or that should have been reported? If you under-reported your income by a certain percentage, IRS can go back 6 years. Individuals may have never filed because of their income that is derived from trust lands. You may want to have an explanation letter attached to the return to explain the circumstances. If this is the first taxable income you have received, the IRS may not go back at all. You should work with your tax advisor to determine what is best for you.

Questions & Answers

- Q: What do we do to get our money back from the IRS (buying a new tractor for a write-off purpose)? What if we have used our claims payment to purchase other improvements for the farm?
- A: If you used the claims payment to purchase a new piece of equipment or feed, etc., you may be able to use IRC 179 to write-off earnings from the farm and off-farm earnings up to \$500k, including the settlement income, if you buy equipment, fencing, etc. You should work with your tax advisor to determine what your records will support and what actions you might want to take to write-off expenses of the farm/ranch.

Questions & Answers

- Q: I'm an elderly person, never filed before, and am not eligible for Social Security payments because I'm short 3 quarters - - can I use the \$62,500 to qualify?
- A: It may be that you might be able to use this income to qualify for Social Security payments. You must check with your tax advisor to determine how this can be reflected in order to qualify for Social Security payments.

Questions & Answers

- Q: Does the estate have to file on behalf of the beneficiaries?
- A: The purpose of the Claims Form is to get, in a simple way, payment of beneficiaries' shares of the claim and the tax relief paid or attributed to them. If the estate was closed or never filed, it is still possible to distribute the portion of the claim to heirs through use of the form. Some individual claimants may have passed in the last few years and the estate may still be open. Some estates don't ever file an estate tax return based on the amount of income in the estate or the estate was concluded quickly. Please contact your professional advisor or the estate's technical advisor to find out how best to deal with beneficiary interests.

Questions & Answers

- Q: My parent has been deceased for 17 years. The Keepseagle Settlement check came in his name. None of the adult heirs could cash the check. They had to open the estate back up, name an Executor and obtain a new check. The check came in the Executor's name. Who pays taxes on the \$50,000?
- A: The individual heirs who received their portion of the settlement will need to identify the income that they received (their portion). They should obtain a Certification Form (as mentioned earlier). They can obtain the Certification Form from the Keepseagle Claims Administrator by contacting them by phone.

Questions & Answers

- Q: What if the forms I have received contain errors but I am approaching the filing deadline?
- A: Contact your tax advisor. You will need to work with the Keepseagle Claims Administrator to get corrected forms. Their contact information is elsewhere in these presentations. You should consider, with your tax advisor, whether filing for an extension is necessary or warranted in your circumstances in order to make sure you have corrected forms ready. Work with your tax advisor.

Questions & Answers

- Q: If the IRS changes its mind on taxability of this income, how will we know?
- A: The Keepseagle Claims Administrator and the Class Counsel, if they hear of anything new from the IRS regarding the taxability of these claims payments, will let the successful claimants know. In addition, the participating organizations in this webinar and in these clinics will post this information.

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