

# The Franchise Valuations Reporter



Special Edition December 2020

## Special Year-End Tax Information From Our Friends at Wolters Kluwer CCH

### Our Expertise

Within the franchise, distribution and dealership context, we are experts in:



- Valuations
- Damages
- Expert Testimony
- Finance, Accounting & Tax

### Have a Question About Succession Planning for Franchise Owners?

Call us for a free, confidential consultation. And we're always interested in your comments about the newsletter.

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### We Write the Book

Franchise Regulation and Damages, the only treatise that

### Taxation

#### *IRS Warns Taxpayers and Tax Professionals Against Scams and Identity Theft Schemes*

This year marks the 5th Annual National Tax Security Awareness Week—a collaboration by the IRS, state tax agencies and the tax industry. The IRS and the Security Summit partners have issued warnings to all taxpayers and tax professionals to beware of scams and identity theft schemes by criminals taking advantage of the combination of holiday shopping, the approaching tax season and coronavirus concerns. The 5th Annual National Tax Security Awareness Week coincided with Cyber Monday, the traditional start of the online holiday shopping season. The following are a few basic steps which taxpayers and tax professionals should remember during the holidays and as the 2021 tax season approaches:

- use an updated security software for computers and mobile phones;
- the purchased anti-virus software must have a feature to stop malware and a firewall that can prevent intrusions;
- don't open links or attachments on suspicious emails because this year, fraud scams related to COVID-19 and the Economic Impact Payment are common;
- use strong and unique passwords for online accounts;

covers valuations and damages in franchise disputes, is updated 3 times a year.

For more details, to see a Table of Contents or to place an order, go to the [Wolters Kluwer Law & Business web page here](#).

- use multi-factor authentication whenever possible which prevents thieves from easily hacking accounts;
- shop at sites where the web address begins with "https" and look for the "padlock" icon in the browser window;
- don't shop on unsecured public Wi-Fi in places like a mall;
- secure home Wi-Fis with a password;
- back up files on computers and mobile phones; and
- consider creating a virtual private network to securely connect to your workplace if working from home.

In addition, taxpayers can check out security recommendations for their specific mobile phone by reviewing the Federal Communications Commission's [Smartphone Security Checker](#). The Federal Bureau of Investigation has issued warnings about fraud and scams related to COVID-19 schemes, anti-body testing, healthcare fraud, cryptocurrency fraud and others. COVID-related fraud complaints can be filed at the [National Center for Disaster Fraud](#). Moreover, the Federal Trade Commission also has issued alerts about fraudulent emails claiming to be from the Centers for Disease Control or the World Health Organization. Taxpayers can keep atop the latest scam information and report COVID-related scams at [www.FTC.gov/coronavirus](http://www.FTC.gov/coronavirus). [IR-2020-265](#)

### ***Practitioners' Corner: Are We 100-Percent Sure About the 100-Percent Charitable Deduction?***

*By Sidney Kess, CPA, JD, LL.M, AEP, Alan Gassman, JD, LL.M, AEP, and Ian MacLean*

Contrary to what some practitioners, including us, had concluded, the IRS' draft instructions for Form 1040 that were issued on November 25, 2020, help to confirm that Sec. 2205(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act ( [P.L. 116-136](#)) when read with [Code Sec. 170](#) allows for "stacking." By stacking, we mean that an individual who contributes appreciated long-term capital gain property to charity for an income tax deduction worth up to the normal percentage of gross income limitation on deductibility (normally the fair market value (FMV) of the appreciated asset, not exceeding 50 percent of the individual's adjusted gross income (AGI)) may additionally make tax deductible cash gifts to public charities where the

combined value of cumulative donations do not exceed 100 percent of AGI.

For example, in 2020, an individual will be able to make a gift of appreciated stock worth 30 percent of the taxpayer's AGI to a public charity (this deduction is limited to 30 percent because the property's FMV is not reduced by its appreciation in value and the property is contributed to a 50-percent limit organization) and a gift of cash worth 70 percent of the taxpayer's AGI to a public charity (the 70-percent cash contribution is equal to the taxpayer's remaining contribution base, which is 100 percent of their AGI reduced by their 30-percent contribution).

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## **FBAR**

### ***Time Extended For Filing Foreign Bank Account Reports***

The Financial Crimes Enforcement Network (FinCEN) announced a further extension of time for certain individuals to file a Report of Foreign Bank and Financial Accounts (FBAR) in light of ongoing questions regarding the filing requirement and its application to individuals with signature authority over, but no financial interest in, certain types of accounts. The filing due date is extended to April 15, 2022, for individuals whose filing due date for reporting signature authority was previously extended by FinCEN Notice 2019-1. [FinCEN Notice 2020-1](#)

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## **Opportunity Funds**

### ***Additional Actions Related to QOFs***

The IRS has started sending letters to taxpayers that may need to take additional actions related to qualified opportunity funds (QOFs). Taxpayers who receive Letter 6250 might need to take additional action to meet the QOF annual self-certification requirement. Taxpayers who receive Letter 6251 might not have properly followed the [instructions for Form 8949](#), or do not appear to have an eligible gain for a valid deferral election for gains invested in a QOF. [IR-2020-274](#)