

Red Oak, Iowa Public Forum  
May 5, 2016  
Written Statement – Alvin Lamar

Good morning, I am Alvin LaMar and I want to thank Nina Olson and Senator Grassley for hosting this public forum.

My practice is part of the Iowa Farm Business Association which is composed of six different local associations. I am part of the Central Iowa Association. These six associations have 22 consultants like myself. Our practices vary according to expertise but revolve around providing active farmers with an analysis of costs and returns. We also provide measurements of financial health. Since we have most of their fiscal information, we also offer tax preparation services.

Planning for large events in the life of our clients' business is a cornerstone of our services. This can be the purchase of a farm, bringing a son or daughter into the operation, buying a piece of equipment or transferring the business to the next generation. We obviously have an eye toward minimizing the amount of taxes paid in any one year and keeping the profit as consistent as possible.

Errors can be made in filing a tax return and we file an amended to return to correct errors on the taxpayers' end. The integrity of my practice demands that we correct those returns. The availability of information, the process of correction, the timeliness of action are all factors in a satisfactory conclusion.

One item that would facilitate the process would be the ability of electronically file a 2848, power-of-attorney. This has caused delays in the past. Faxing has not seemed to speed the process my more than a few days. Electronic filing of the 1040X would also save time and could assure that the IRS would receive all the background information needed.

I have examined and considered the possibilities of each taxpayer having an on line account as presented in the vignettes. The ability to store and retrieve documents and actions related to a return intrigues me and I can the possibilities of that type of system. It could facilitate resolution of errors and issues relating to a tax return if for no other reason than a way for the IRS to retain a record of communication. The present preparers priority line has not been very successful at retaining communication. If we do not get the problem resolved on the first calls, we need to virtually start over with a new representative on the next call. Optimistically, incorporating the information retention of an online account with the preparers priority line may speed up the process and reduce the wait times. I have a difficult time dealing with a 15-30-minute wait time and still remain efficient in my practice.

I realize there is a security problem with preparers having access to too much sensitive information but I believe a protocol could be developed to address this issue. Having the taxpayer be the only one to establish an account brings up another problem. Through a concerted effort the part of myself and my assistant Jane, we have 85% of my clients who read my newsletters via email. I assumed that if they could open Facebook or see pictures of their grandkids, they could communicate electronically. That was an enormous over simplification on my part. If I imbed a link in an email, they may read it. This is not a case of poor education. It is about comfort and the perception, not unwarranted, about the security of their information. This whole concept could save a lot of resources but we may be a generation away from this being accepted and implemented for everyone. For those who have the resources, the knowledge and the comfort, it could be a part of the solution. It will never replace a knowledgeable, sympathetic ear on the phone. The IRS needs to have people to fulfill this role. It would be nice if the representative was capable of addressing the issue and take it a conclusion. I know this

would necessitate sorting the calls by the type of business but it could be done. I can only imagine the difficulty in doing this in several languages. I am not faced with those kinds of challenges in my part of this process.

There are three other issues I would like to conclude with today. The first is alternative minimum tax. This has become a planning minefield for many of my clients. From its beginning in 1969 enacted after Congress discovered that 155 taxpayers with income greater than \$200,000 paid no Federal tax to the parallel system starting in 1982. It became a factor because of inflation. The American Taxpayer Relief Act of 2012 started indexing the income levels but I would argue that this started too late. Wage earning taxpayers, especially two earner households, with a substantial state income and property taxes and a large mortgage interest deduction find they are subject to alternative minimum tax. My son and his wife fit that category with a \$9,000 property tax bill on their home and \$14,000 in state income tax end up with \$420 in alternative minimum tax. Interestingly, my daughter in Alaska where there is no state income tax deduction, does not owe alternative minimum tax. My farm clients tend to trigger the AMT because of depreciation. A decision to purchase equipment and utilize accelerated depreciation has a cumulative effect of triggering AMT. If they also sell some capital assets in the later part of their career, they most assuredly will not benefit from lower tax rates on all their capital gains. In the years of liquidating their equipment, they have a much higher regular tax bill but do not want to aggravate the situation by having the capital gains in the same year. I can mitigate the state tax effect by making an estimated tax payment to the state in December but I still run into the add back for depreciation.

The form 2290 for road tax on farm vehicles seems to cause issues for my farm clients. Yes, they don't pay any tax if they use the semi for less than 7500 miles per year but the state requirement for filing before purchasing licenses each year seems to be a constant problem. If there was a simple post card filing for those farm vehicles, it would make the process a lot simpler. I realize they have an obligation to file but when they don't owe any tax, I would think we could bypass part of the system.

Another disturbing trend over the last several years has been to use the tax courts to codify tax laws. Most of my farm clients in Iowa are blissfully unaware of how CRP (Conservation Reserve Program) payments are treated for self-employment tax purposes. This has evolved by the IRS claiming that retired landowners must pay self-employment tax on CRP payments. This does not appear to be in tax law passed by congress but is a position taken by the IRS. The Federal court in our district has ruled against the IRS but this has not impeded the IRS position on audits. When I prepare a return for a retired landowner living and receiving CRP payments in Illinois, they are required to pay self-employment tax on those payments. The district court whose jurisdiction includes Illinois, has agreed with the IRS while our district court has not. There must be some logic in this issue but I am not privy to the reasoning and the audits continue. Why is it different? There should be consistency based on law rather than a ruling legitimized by court action.

There are many other similar situations and from the standpoint of training new staff, we are facing a seemingly insurmountable task. Regulations from 30 or 40 years ago are still infused into our tax system along with our parallel system. No one can prepare a return by scanning your documents into the computer and end up with an accurate farm tax return. Maybe that is how it should work but it is not our current situation. There are other issues too numerous to mention like the Domestic Production Activity Deduction that add a level of complexity that I feel we could eliminate.

Thank you.