

Problem an audit

Business



A few deductions were questioned, such as; \$10, 000 loss on beach rental, \$20, 000 charitable contribution, \$1 5, 000 loss for operation of cattle breeding ranch. There was a concern that the battle breeding ranch is not a legitimate business, which is more like a hobby.

My supervisor was asked that I represent Mr... Gemstone in his discussions with the IRS. In order to get elaborate more on Mr..

.

Gemstones deductions, we would need more specifics: For the charitable contribution painting, we feel that the painting may be overvalued. Was there an expert that actually came out and viewed the painting to give a professional and honest value of \$20, 000? Where is the proof? Can we go based on your word? If I said, the Mona Lisa painting was \$1; would you believe that in fact the painting is valued at \$1? What record do you have to provide to us that the painting is valued at \$20, 000? Now, Mr...

Gemstone claims that he has a business of cattle breeding.

Are you registered as an individual to be breeding cattle? Where are you documents for your land that you are in fact breeding these cattle on your property? How are you keeping track of the money that you have invested and the revenue coming in from breeding these cattle? Do you have a permit showing that these cattle can be breed on your property? In the loss deduction of the rental of your beach cottage? What happened with the beach cottage?

What do you have to prove that this can be included In your tax return? Tax research is the search for the best defensibly correct solution too robber involving either a completed transaction or a proposed transaction, according to Federal Taxation (2011). We must determine the following: Determine the facts Identify the Issues Identify and Analyze the tax law sources Evaluate non-tax Implications Solve the problem Then communicate the findings with the client. In Mr...

Gemstones case, stated In Section AAA, a loss Is not a deductible If the taxpayer used the residence, such as the beach house, for personal purposes for longer or greater of 14 days or 10% of the number of days the unit was rented at a air rental value. Property Is deemed to be used by the taxpayer for personal purposes on any days on which It Is definition of family members. According to the IRS, an Individual can deduct a charitable contribution made to, or for the use of, any of the following organizations that otherwise are qualified under section 170(c) of the IRS codes.

However, there are Limitations of deductions. The 50% Limitations apply to all public charities, all private operating foundations (code POE), certain private foundations that distribute the contributions they receive to public Charles and riveter operations foundations wealth 2 h months following the year receipt and lastly to certain private foundations the contributions to which are pooled In a common fund and the Income and corpus of which are paid to public Charles.

SAC 497 Case study 1-49 By willfully beach cottage? What do you have to prove that this can be included in your tax Identify the issues Evaluate non-

tax implications In Mr... Gemstones case, stated in Section AAA, a loss is not a deductible if the fair rental value. Property is deemed to be used by the taxpayer for personal repose on any days on which it is definition of family members. According to the IRS, an individual can deduct a charitable contribution made to, or for the use of, any IRS codes.

However, there are limitations of deductions. The 50% limitations apply to foundations that distribute the contributions they receive to public charities and private operations foundations within 2 h months following the year receipt and lastly to certain private foundations the contributions to which are pooled in a common fund and the income and corpus of which are paid to public charities.