



January 2018

Enclosed for your convenience are the following items:

- Exhibit 1 Guide to Information Returns
- Exhibit 1(a) Supplemental Information
- Exhibit 2 Payments to Outside Providers or Contractors for Business Purposes
- Exhibit 3 Nontaxable Benefits Provided to Employees
- Exhibit 4 Payments to Directors
- Exhibit 5 Employee Business Expenses and Expense Accounts
- Exhibit 6 Record-Keeping for Travel, Entertainment and Meals Expense
- Exhibit 7 Record-Keeping and Deductions for Business Vehicles
- Exhibit 8 Travel Per Diem Rates for Certain States
- Exhibit 9 Reporting Cash Payments Over \$10,000
- Exhibit 10 Electronic Filing Requirements for Payroll and Information Returns When Over 250 Documents
- Exhibit 11 Instructions for Filing Payroll and Information Returns (Paper Filings)
- Exhibit 12 Dues Paid to Social Associations and Clubs or for Lobbying Activities
- Exhibit 13 Energy Subsidy Payments
- Exhibit 14 Taxation and Reporting of Capital Credits from Electric and Telephone Cooperatives
- Exhibit 15 Form 1099-A Foreclosures and Abandonment of Security
- Exhibit 16 Form 1099-C Cancellation of Debt
- Exhibit 17 Form 1098-E Student Loan Interest Reporting & Form 1098-T Regarding Tuition Reporting
- Exhibit 18 Public Inspection of Tax Exempt Organizations Filings, Forms 990, 990-T, 1023, etc. and IRS Sanctions Regarding Transactions with Certain Persons (Insiders)
- Exhibit 19 Credit Card Sales
- Exhibit 20 Proceeds From Broker and Barter Exchange Transactions
- Exhibit 21 Health Care Value Reporting
- Exhibit 22 Health Care Coverage Reporting
- Exhibit 23 Form 1099 Reporting for Rental Properties

We recommend you review the specific areas related to your business each year as rules change from year to year.

The 2018 vehicle standard business mileage rate was increased to 54.5 cents per mile. The 2017 vehicle standard business mileage rate was 53.5 cents per mile.

For most Forms 1099, detailed on the following pages, a telephone number for recipient inquiries must be provided.

If you have any questions concerning the enclosures, please feel free to contact us.

Sincerely,

EIDE BAILLY LLP

EXHIBIT 1 – GUIDE TO INFORMATION RETURNS – CALENDAR YEAR 2017

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	<p>Payments to foreign persons, including persons presumed to be foreign, including non-resident aliens, foreign partnerships, foreign corporations, foreign estates and foreign trusts, subject to withholding including corporate distributions, notional principal contract income interest, dividends, rents, royalties, pensions, annuities, most gambling winnings, compensation for personal services performed in U.S., compensation for dependent personal services performed in U.S. and cancellation of indebtedness. Excess inclusions and withheld tax from REIMCs amounts paid to foreign governments, foreign controlled banks of issue and international organizations.</p> <p>Also report distributions, subject to section 1446 tax on distributions to its foreign partners withholding, from effectively connected income by a publicly traded partnership</p>	All Amounts, except no withholding on interest paid on deposits not effectively connected with a trade or business. However, reporting is required for \$10 or more of interest on US source bank deposits paid to a nonresident alien who is a resident of Canada	March 15	March 15
1095-A	Health Insurance Marketplace Statement	Report certain information to the IRS about individuals who enroll in a qualified health plan through the Health Insurance Marketplace. Form 1095-A is also furnished to individuals to allow them to take the premium tax credit and to reconcile the credit on their returns with advance payments of the premium tax credit.	Information regarding covered individuals and coverage information.	January 31	January 31
1094-B	Transmittal of Health Coverage Information Returns	Report certain information to the IRS about individuals who are covered by minimum essential coverage.	Total number of Forms 1095-B submitted with transmittal.	February 28 (Due date is extended to March 31 if filing electronically)	N/A
1094-C	Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns	Employers with 50 or more full-time employees (including full-time equivalent employees) in the previous year use Forms 1094-C and 1095-C to report the information required under sections 6055 and 6056 about offers of health coverage and enrollment in health coverage for their employees.	Total number of Forms 1095-C submitted with transmittal.	February 28 (Due date is extended to March 31 if filing electronically)	N/A

EXHIBIT 1 - page 2

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1095-B	Health Coverage	Report certain information to taxpayers about individuals who are covered by minimum essential coverage.	Type of coverage and periods of coverage	February 28 (Due date is extended to March 31 if filing electronically)	March 2
1095-C	Employer-Provided Health Insurance Offer and Coverage	Employers with 50 or more full-time employees (including full-time equivalent employees) in the previous year use Forms 1094-C and 1095-C to report the information required under sections 6055 and 6056 about offers of health coverage and enrollment in health coverage for their employees. Form 1095-C is used to report information about each employee	Type of coverage; periods of coverage; employee share of lowest cost monthly premium and applicable safe harbor.	February 28 (Due date is extended to March 31 if filing electronically)	March 2
1097-BTC	Bond Tax Credit	Tax credits from tax credit bonds to shareholders. If a RIC or REIT makes an election to distribute any credits allowed to shareholders or beneficiaries, they are credits on Form 1097-BTC.	All Bond Tax Credits in an amount of at least \$10	February 28 (Due date is extended to March 31 if filing electronically)	Quarterly and separately for each credit amount indicated and for each bond type, on or before the 15 th day of the 2nd calendar month after the close of the calendar quarter in which the credit is issued.
1098	Mortgage Interest Statement	Mortgage interest (including certain points) received in the course of a trade or business from individuals and reimbursements of prior year overpaid interest from ARMs and other mortgages. Also, premiums for Qualified Mortgage Insurance under a contract issued after 12/31/06, as defined by Section 2 of the Homeowners Protection Act of 1998 (as in effect on 12/20/06).	\$600 or more; determined separately for each mortgage.	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (To payer/borrower)
1098-C	Contributions of Motor Vehicles, Boats, and Airplanes	Information regarding a donated motor vehicle, boat, or airplane.	Gross Proceeds of more than \$500. Must furnish a contemporaneous written acknowledgment of the contribution to the donor. Otherwise, donor cannot claim a deduction of more than \$500.	February 28 (Due date is extended to March 31 if filing electronically)	30 days from date of sale or contribution depending on donee transfer of donated property
1098-E (Also see Exhibit 17)	Student Loan Interest Statement	Student loan interest received in the course of a trade or business. For loans made before September 1, 2004, check box 2 if the amount in box 1 does not include loan origination fees and/or capitalized interest.	\$600 or more determined at the borrower level regardless of the number of loans made by borrower	February 28 (Due date is extended to March 31 if filing electronically)	January 31

EXHIBIT 1 - page 3

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1098-MA	Mortgage Assistance Payments	Assistance payments to homeowners allocated from HFA Hardest Hit Fund or Emergency Homeowners' Loan Programs	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1098-T (Also see Exhibit 17)	Tuition Payments Statement	Eligible educational institutions must choose to report payments received, or amounts billed for qualified tuition and related expenses.	See Instructions Also note exceptions from reporting	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1098-Q	Qualifying Longevity Annuity Contract	Report status of longevity annuity contracts held by defined contribution plans, IRAs, and eligible government plans.	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-A (Also see Exhibit 15)	Acquisition or Abandonment of Secured property	Information about the acquisition or abandonment of property that is security for a debt for which you are the lender.	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (To Borrower)
1099-B (Also see Exhibit 20)	Proceeds from Broker and Barter Exchange Transactions	Sales or redemption of stocks, bonds, commodities, regulated future contracts, foreign currency contracts, debt instruments and barter exchange transactions. Receipt of cash, stock or other property from a corp. that broker knows has undergone a change in control. Widely Held Fixed Investment Trusts will use Form 1099 to report items of income.	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	February 15 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)

EXHIBIT 1 - page 4

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1099-CAP	Changes in Corporate Control and Capital Structure	Required only if Form 8806 is required to be filed – Describes information about cash, stock, or other property from an acquisition of control or the substantial change in capital structure of a corporation.	Cash, stock and property over \$1,000.	February 28 (Due date is extended to March 31 if filing electronically)	(To Shareholders January 31)
1099-C (Also see Exhibit 16)	Cancellation of Debt	Cancellation of a debt owed to a financial institution, a Federal Government Agency, a credit union, RTC, FDIC, NCUA, a military department, the U.S. Postal Service, the U.S. Postal Rate Commission, or any organization having a significant trade or business of lending money. Indicate whether the borrower was personally liable for repayment of the debt. Also note that the creditor's phone number must be provided.	\$600 or more Determined separately for each debt cancelled.	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-DIV	Dividends and Distributions	Distributions, such as ordinary & qualified dividends, capital gain distributions or nontaxable distributions that were paid on stock and liquidation distributions. Also reports withheld foreign tax and backup withholding on dividends. Distributions from an employee stock ownership plan that are §404(K) dividends must be reported on Form 1099-R, not 1099-DIV. Payments of §404(K) dividends directly from the corporation are reported on Form 1099-DIV. Qualified distribution tax credit bonds from a RIC or REIT should be treated as interest and included in gross income. Exempt – interest dividends from a mutual fund or other regulated investment company (RIC)	\$10 or more, except \$600 or more for liquidation distributions	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
1099-G	Certain Government Payments	Unemployment compensation, state and local income tax refunds, agricultural payments, taxable grants, and alternative trade adjustment assistance. Market gain associated with repayment of Commodity Credit Corporation (CCC) loans.	\$10 or more for unemployment and tax refunds; \$600 or more for all others If interest paid on refunds is more than \$600 also file 1099-INT	February 28 (Due date is extended to March 31 if filing electronically) Form 1099-G is filed by the officer or employee of the government unit having control of the payments.	January 31

EXHIBIT 1 - page 5

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1099-H	Health Coverage Tax Credit (HCTC) Advance Payments	Provider of qualified health insurance coverage must report the advance payments received from the Department of Treasury on behalf of eligible individuals	All Amounts HCTC Transaction Center will file copy with recipients if provider elects not to provide, but provider must notify HCTC of election	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-INT	Interest Income	Interest income, tax exempt interest dividends from Regulated Investment Companies; credit to holders of clean renewable energy bonds; Gulf tax credit bonds; Qualified forestry conservation bonds; New clean renewable energy bonds; Qualified energy conservation bonds; Midwestern tax credit bonds; Specified private activity bonds; tax-exempt state and local bonds. Interest or principal forfeited because of early withdrawal. Widely Held Fixed Investment Trusts (WHFIT) will use Form 1099-INT or 1099-OID to report items of income.	\$10 or more (\$600 or more in some cases) Do not report tax exempt interest on Form 1099-OID, use 1099-INT. However, if you are reporting interest and original issue discount on any obligation, you may report both the taxable interest and the OID on Form 1099-OID	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
1099-K (see Exhibit 19)	Merchant Card and Third Party Network Payments	Merchant sales made by customers on credit cards. Third-party network payments.	All Amounts on Merchant Cards when more than \$200,000 and 200 or more transactions for Third-party network payments.	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-LTC	Long-Term Care & Accelerated Death Benefits	Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider.	Gross long-term care benefits paid or gross accelerated death benefits paid under a life insurance contract. Report only if policyholder is an individual. Report each contract separately, or at option, aggregate contracts if qualified.	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (to insured and policyholder)

EXHIBIT 1 - page 6

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1099-MISC	Miscellaneous Income: Nonemployee Compensation	Payments for services performed for a trade or business by people not treated as its employees. (Independent Contractors) Other Examples: fees to subcontractors or directors, and golden parachute payments.	\$600 or more	January 31 (For any payments for nonemployee compensation reported in box 7)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
1099-MISC	Miscellaneous Income Do not use Form 1099-MISC for personal payments, only for payments made in course of your trade or business. Also use to report direct sales of \$5,000 or more of consumer goods for resale anywhere other than a permanent retail establishment.	Rent, services, royalty or bonuses payments; prizes and awards that are not for services, such as winnings on TV or radio shows.	\$600 or more, except \$10 or more for royalties or broker payments in lieu of dividends or tax-exempt interest	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Gross proceeds paid to attorneys	\$600 or more	February 28 (Due date is extended to March 31 if filing electronically)	February 15 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Payments to crew members by owners or operators of fishing boats including payments of proceeds from sale of catch.	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Nonqualified deferred Compensation Income (Sec 409A)	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Payments to a physician, physician's corporation, or other supplier of health and medical services. Issued mainly by medical assistance programs or health and accident insurance programs.	\$600 or more	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Deceased employee's wages paid after the date of death. Also death benefits from nonqualified deferred compensation plans or Sec. 457 Plans	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)

EXHIBIT 1 - page 7

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1099-MISC (Cont)		Fish purchases paid in cash for resale.	\$600 or more	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Crop Insurance Proceeds	\$600 or more	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Substitute dividend and tax-exempt interest payments reportable by brokers.	\$10 or more	February 28 (Due date is extended to March 31 if filing electronically)	February 15 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
		Any withheld federal taxes under backup withholding rules	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	February 15 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
1099-OID	Original Issue Discount	Original issue discount. OID included in holder’s gross income from an obligation during the year (If reporting stated interest and OID on same obligation both may be reported on 1099-OID) Issuers of certain public debt having OID must file Form 8281, not 1099-OID. Widely Held Fixed Investment Trusts will use Form 1099 to report items of income.	\$10 or more	February 28 (Due date is extended to March 31 if filing electronically)	January 31 (The due date is March 15 for reporting by trustees and middlemen of WHFITs)
1099-PATR	Taxable Distributions Received from Cooperatives	Distributions from cooperatives to their patrons, including any domestic production activities deduction and certain pass-through credits, or from whom you withheld any Federal income tax under backup withhold rules regardless of the amount. New: Cellulosic biofuel producer credit; Agricultural chemicals security credit; Indian employment credit; Energy efficient appliance credit.	\$10 or more	February 28 (Due date is extended to March 31 if filing electronically)	January 31

EXHIBIT 1 - page 8

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
1099-Q	Payments from Qualified Education Programs (under Sections 529 and 530)	Gross distributions from a qualified tuition program (cash or in kind) and Coverdell ESA's. Also includes refund to account owner, or payment upon death or disability or withdrawal of excess contributions plus earnings.	All Amounts whether in cash or in-kind	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-QA	Distributions from ABLE Accounts	Distributions from ABLE Accounts	All amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-R	Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.	Distributions from retirement or profit sharing plans, any IRA, annuities, pensions, insurance contracts, and IRA re-characterizations. Death payment benefits; reportable disability payments; payments to military retirees and payments of survivor benefit annuities; governmental section 457(b) plan payments under Sec 409A nonqualified deferred comp plans and certain items related to Sec. 1031 exchanges and; Roth IRAs. Section 404(K) Dividends. ESOP distributions if the dist. is a total distribution and contains sec.404(k) dividends. Also report qualified distributions from IRAs for charitable purposes.	\$10 or more	February 28 (Due date is extended to March 31 if filing electronically)	January 31
1099-S	Proceeds from Real Estate Transactions	Gross proceeds from the sale of improved or unimproved land; inherently permanent structures, including any residential, commercial, or industrial building, a condominium unit including land; and stock in a cooperative housing corporation. Payment of timber royalties made under pay-as-cut contract.	Gross proceeds, with \$600 de minimis amount if qualified. Exceptions: Sale or exchange of a principal residence for \$250,000 or less for a single person or \$500,000 or less for married couple. Any transaction in which transferor is a corp.; a governmental unit or an exempt volume transferor. Any transaction that is not a sale or exchange and a financing or refinancing that is not related to the acquisition of real estate.	February 28 (Due date is extended to March 31 if filing electronically)	February 15
1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA	Distributions from an HSA, Archer MSA, or Medicare Advantage MSA. Must have been paid directly to a medical service provider or to the account holder. Do not report trustee-to-trustee transfers.	All Amounts	February 28 (Due date is extended to March 31 if filing electronically)	January 31

EXHIBIT 1 – page 9

Form	Title	What to Report	Amounts to Report	Due Date – In 2018 (Note: If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)	
				To IRS	To Recipient (unless indicated otherwise)
5498-QA	ABLE Account Contributions Information	Contributions (including rollover contributions) to an ABLE account	All amounts	May 31	March 15
8300 (IRS and Fin CEN Form)	Report of Cash Payments Over \$10,000 Received in a Trade or Business	Payments in cash (including certain monetary instruments) or foreign currency received in one transaction, or two or more related transactions, in the course of a trade or business. Does not apply to banks and financial institutions filing Form 104, and casinos that are required to report such transactions on Form 103, Currency Transaction Report by Casinos, or, generally, to transactions outside the United States.	Over \$10,000 In one transaction or in two or more related transactions (defined as within 24 hour period or longer if known individual transactions are connected)	15 days after date cash was received	(To Payer) January 31
W-2G	Certain Gambling Winnings	Gambling winnings from horse racing, dog racing, Jai Alai, lotteries, keno, bingo, slot machines, sweepstakes, poker tournaments, wagering pools, etc, and any Federal withholding for such winnings. A noncash payment must be taken into account at its fair market value	Generally \$600 or more; \$1,200 or more bingo and slot machine and \$1,500 or more for keno. \$5,000 or more from a poker tournament. Reporting according to Form 5754 may be required. See instructions for rules regarding withholding	February 28 (Due date is extended to March 31 if filing electronically)	January 31
W-2	Wages and Tax Statement	Wages, tips, other compensation, Social Security Medicare tax was withheld and/or income tax would have been withheld if the employee had claimed no more than one withholding allowance or had not claimed exemption from withholding on Form W-4. For employers filing more than 250 W-2s in 2011, the cost of employer-sponsored health coverage is required to be reported on the W-2 in 2012.	All Amounts	January 31	January 31

EXHIBIT 1(a)—SUPPLEMENTAL INFORMATION

Truncating taxpayer identifying numbers on Information Forms:

Final regulations have been issued that allow issuers to truncate payee identifying numbers (SSN, ITIN, ATIN or EIN) on information Forms 1097, 1098, 1099, 3921, 3922 and 5498 for 2017. The filer's identification number cannot be truncated on any form.

To truncate where allowed, replace the first 5 digits of the 9 digit payee identification number with asterisks (*) or Xs (for example, an SSN would show as ***-**-1234 or XXX_XX_1234). See Treasury Decision 9675, 2014-31 I.R.B. 242 https://www.irs.gov/irb/2014-31_IRB/ar07.html.

Truncating taxpayer identifying numbers on Forms W-2:

The IRS has proposed regulations that would allow employers to use truncated taxpayer identification numbers (TTINs) in place of social security numbers (SSNs) on the employee copy of Form W-2 starting on **January 1, 2019**. Prior to being amended by the 2015 PATH Act, employers were specifically required to include their employees' SSNs on the employee copy of Form W-2. The effective date of the new rules was delayed when several state tax administrators requested additional time to develop systems for the state income tax returns that may contain TTINs.

When the new rules go into effect, the SSN can be truncated by replacing the first five digits with either Xs or asterisks as XXX-XX-1234 or ***-**-1234 on the employee copy. The copies provided to the Social Security Administration will need to retain the full SSN.

With the ever increasing threat of identity theft, the proposed regulations are meant to assist employers in their efforts to help protect their employees. The comment period on the proposed rules closed on December 18th, 2017 with the new rules scheduled to go into effect with Form W-2s filed after January 1st, 2019.

FACTA reporting:

A foreign financial institution (FFI) with a chapter 4 requirement to report a U.S. account maintained by the FFI that is held by a specific U.S. person may satisfy the reporting requirement by reporting on Form(s) 1099 under the election described in Regulations section 1.1471-4(d)(5)(i)(A) or (B). Additionally, a U.S. payor may satisfy a chapter 4 reporting requirement to report a U.S. account by reporting on Form(s) 1099. See Regulations section 1.1471-4(d)(2)(iii)(A).

Latest developments for information returns:

For the latest information about developments to information returns after they are published, go to <https://www.irs.gov/uac/About-Form-1099>.

Where to paper file:

There are only two Internal Revenue Service Centers that will accept paper filed information returns: Austin, TX and Kansas City, MO. See Form 1099 instructions for more information.

Extension to file is possible:

Extensions for Employee W-2s:

Extensions of time to file Form W-2 with the SSA are no longer automatic. You may request one 30-day extension to file Form W-2 by submitting a complete application on Form 8809, Application for Extension of Time to File Information Returns, including a detailed explanation of why you need additional time and signed under penalties of perjury. The IRS will only grant the extension in extraordinary circumstances or catastrophe. The extension is required to be filed no later than January 31, 2018.

EXHIBIT 1(a)—SUPPLEMENTAL INFORMATION - page 2

You can send extensions for furnishing employee Forms W-2 to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0209

There are no automatic extension requests for Form W-2. Requests must be submitted on paper with line 7 completed and signed by the filer/transmitter or person duly authorized to sign a return.

Returns filed with the IRS:

Extensions may be requested for other information returns as follows:

- Online by completing a fill-in Form 8809 through the FIRE system at <https://fire.irs.gov> for an automatic 30-day extension (not available for Form W-2, 1099-QA, 5498-QA, or additional 30-day extension requests for all form types listed in box 6). Acknowledgements are automatically displayed online if the request is made by the due date of the return. Note: A list that contains names and TINs cannot be attached to the fill-in Form 8809.
- Electronically through the FIRE system in a file formatted according to the specifications in Pub. 1220.
- On paper Form 8809

Returns filed with recipients:

An extension of time to furnish information statements to recipients can be requested by sending a letter to the Internal Revenue Service, Information Returns Branch, Attn: Extension of Time Coordinator, 240 Murall Drive, Mail Stop 4360, Kearneysville, WV 25430. The letter requesting extension must contain information about the recipients, the reason for requesting the extension and be postmarked no later than the date the information statements would be due to the recipients.

If the extension is approved by the IRS, the extension will generally be allowed for a maximum of 30 days.

And, if there are more than 10 recipients whose information statements will be delayed by the extension being granted, the extension request must be submitted electronically. See IRS Pub 1220, Part D, Sec 4.

**EXHIBIT 2 - PAYMENTS TO OUTSIDE PROVIDERS
OR CONTRACTORS FOR BUSINESS PURPOSES**

Any entity or individual engaged in a trade or business who makes certain payments of \$600 or more during the calendar year, in the course of a trade or business or rentals, must file an information return. Payments of interest, dividends and patronage dividends of \$10 or more by entities other than individuals will require the filing of an information return. Payments of interest of \$600 or more by individuals in the course of their trade or business will require the filing of an information return. Certain transactions such as distributions from retirement or individual retirement arrangements, wages, tips and other payments require the reporting of all amounts. Royalties are required to be reported if the payment is \$10 or more. The guide or chart in Exhibit 1 provides further details.

I. Payments for which Forms 1099 are not required:

1. Generally payments to governments or corporations (except for medical or law corporations and all corporate debt discharges).
2. Payments of income required to be reported on other Federal forms, for example, W-2, 1099R, 1120S Schedule K-1, 1042-S, 1000, Schedule K-1 of 1065 or 1065-B, Schedule K-1 of 1041, and Schedule Q of Form 1066.
3. Payments of rent to real estate agents.
4. Advances, reimbursements or charges for traveling or other business expenses of an employee to the extent that the employee is required to account and does so account to his employer for such expenses.
5. Interest of less than \$600 paid or credited to customers on security deposits.
6. Payments for merchandise, telegrams, telephone, freight, storage and similar charges.
7. Payments to a tax-exempt organization, the United States, a state, District of Columbia, a U.S. possession, or a foreign government.

II. Payments of \$600 or more for the following items are required to be reported on Form 1099-MISC:

1. Gross rents and royalties, including payments to related parties for land, building or equipment rent.
2. Fees, commissions, prizes, awards or any compensation paid for services in the course of your trade or business and not excluded above. Examples of services for which a Form 1099-MISC may be required are:
 - a. Veterinary services
 - b. Machine rentals
 - c. Professional service fees such as fees to attorneys, accountants, architects, contractors, engineers, etc.
 - d. Trucking
 - e. Labor portion of repairs
 - f. Subcontracting
 - g. Director fees, speaker fees and honorariums
 - h. Referral fees or fee-splitting
 - i. Certain payments to insurance agents
 - j. Payments by attorneys to witnesses or experts in legal adjudication.
 - k. Medical and health care payments.
 - l. Crop insurance payments.
 - m. Fish purchases paid in cash for resale.
 - n. Golden parachute payment.
 - o. Winnings on TV or Radio shows.

EXHIBIT 2 - page 2

3. Payments to attorneys (whether a sole proprietor, partnership, PLLP, LLC or a corporation):
 - a. Form 1099-MISC is not necessary if amounts paid for legal services in a calendar year are for personal or non-business purposes.
4. Payments for damage awards to include punitive damage except for:
 - a. Payments for personal physical injuries or physical illnesses, or
 - b. For emotional distress to the extent the payments are reimbursement for actual medical treatment expenses.
 - c. If attorney fees are part of a legal settlement and cannot be specifically determined, the gross proceeds paid to the attorney must be reported in box 14.
 - d. If attorney fees are part of a legal settlement and can be specifically determined, the amount of fees must be reported in box 7.
 - e. Received on account of nonphysical injuries under a written binding agreement, court decree, or mediation award in effect on or issued by September 13, 1995.

The Forms 1099 must show the payer's name, address, telephone number (as detailed below) and Federal identification number (as assigned on the 941 or 943 payroll reports), or social security number if not otherwise required to have a Federal identification number, the payee's name, social security number or Federal identification number, address and the reportable amount.

The following Forms must include the **telephone number** of a person to contact if the recipients of the 1099 have questions. Those forms are W-2G, 1098, 1098-E, 1098-T, 1099-LTC 1099-A, 1099-B, 1099-Div, 1099-G (excluding state and local income tax refunds), 1099-INT, 1099-MISC (excluding fishing boat proceeds), 1099-OID, 1099-PATR, 1099-Q and 1099-S.

III. Forms 1099 and Taxpayer Identification Number

Obtaining the correct social security or employer identification number from potential recipients becomes as necessary as obtaining social security numbers from your employees. Form W-9, "Payor's Request for Taxpayer Identification Number," is the official form for obtaining these numbers. Persons or entities that have not furnished their correct tax identifying numbers to you are subject to withholding at a 28% rate on amounts required to be reported. The accumulation of identifying numbers and, if applicable, required withholding, is your responsibility. As you are required to withhold 28% when you do not have a correct taxpayer identification number, it is important to obtain the taxpayer identification number before payment is made. During some IRS audits, the IRS has assessed the backup withholding even if the taxpayer identification number was obtained after payment was made.

The IRS has established an on-line taxpayer identification number (TIN) matching program that allows payors or their agents to verify the payee's TIN prior to filing Form W-2 and 1099. Registration for this, and other e-service programs, can be made on the IRS website at <https://1a2.www4.irs.gov/e-services/Registration/>.

Recipients of interest, dividends, patronage dividends and amounts subject to broker reporting must certify to the payor, under penalties of perjury, that their taxpayer identification number is correct. Recipients of other payments which require the submitting of identification numbers must still submit them, but they don't have to certify their correctness under penalties of perjury.

EXHIBIT 2 - page 3

For calendar year 2017, the original Form 1099 along with the recap Form 1096 must be filed by February 28, 2018 with your Internal Revenue Service Center. The due date is extended to April 2, 2018 if Forms 1099 are filed electronically. You must provide each payee a copy of their 1099 by January 31, 2018, except Forms 1099-MISC for gross proceeds paid to attorneys (box 14) or substitute dividend and tax-exempt interest payments reportable by brokers (box 8) which must be provided no later than February 15, 2018. Forms 1099-B and 1099-S must also be provided to the recipient by February 15, 2018, other extended dates may be applicable, see Exhibit 1 for additional information.

For calendar year 2017, Form 1099-MISC with nonemployee compensation reported in box 7 must be filed by January 31, 2018 with the Internal Revenue Service. You must provide each payee a copy of their 1099 by January 31, 2018. See Exhibit 1 for additional information.

Taxpayers who fail to prepare and file information returns are subject to a penalty of up to \$260 per form subject to maximum amounts, plus the backup withholding if the tax identification number had not been obtained prior to payment.

If one or more of the failures to file correct information returns are due to intentional disregard of the filing requirements or the correct information reporting requirements, the penalty is the greater of \$530 per information return, or 10% of the aggregate amount of items required to be reported correctly, with no maximum penalty.

Additionally, backup withholding will apply if the tax identification number had not been obtained prior to payment.

If the failure to file an information return or to provide a copy to the taxpayer or to include correct information is due to reasonable cause and not to willful neglect, the penalty may be waived.

Payments to Corporations and Partnerships

1. Generally, payments to corporations are not reportable. However, you must report payments to corporations for the following:
 - a. Medical and health care payments (Form 1099-MISC),
 - b. Withheld federal income tax or foreign tax,
 - c. Barter exchange transactions (Form 1099-B),
 - d. Substitute payments in lieu of dividends and tax-exempt interest (Form 1099-MISC),
 - e. Acquisitions or abandonments of secured property (Form 1099-A),
 - f. Cancellation of debt (Form 1099-C),
 - g. Payments of attorneys' fees and gross proceeds paid to attorneys (Form 1099-MISC),
 - h. Fish purchases for cash (Form 1099-MISC),
 - i. The credits for qualified tax credit bonds treated as interest and reported on Form 1099-INT,
 - j. Merchant card and third-party network payments (Form 1099-K), and
 - k. Federal executive agency payments for services (Form 1099-MISC).

For additional reporting requirements, see Internal Revenue Bulletin 2003-26 at www.irs.gov/pub/irs-irbs/irb03-26.pdf.

2. Reporting generally is required for all payments to partnerships. For example, payments of \$600 or more made in the course of your trade or business to an architectural firm that is a partnership are reportable on Form 1099-MISC.

EXHIBIT 2 - page 4

Eide Bailly LLP is a limited liability partnership, therefore, payments made to Eide Bailly LLP in the course of your business of \$600 or more must be reported on Form 1099-MISC. For your convenience, the Eide Bailly LLP Federal identification number for Form 1099 reporting is 45-0250958.

EXHIBIT 3 – NONTAXABLE BENEFITS PROVIDED TO EMPLOYEES

Generally speaking, the Internal Revenue Code (IRC) requires that income includes all compensation for services rendered, unless excluded by law. For this purpose, compensation means wages, salaries, fees, tips, commissions, bonuses, termination or severance pay and fringe benefits not excluded by Statute.

The IRC allows exclusions from compensation for certain items provided for employees; for example:

1. Employer contributions to qualified employee benefit plans (profit-sharing plans, pension plans, 401(k), SEP's, SIMPLE IRA's, SIMPLE 401(k)).
2. Employee benefits, up to \$5,250 per year for tuition, fees, books, supplies, etc., under an employer's nondiscriminatory educational assistance plan if the plan is in writing and is limited to providing employees with educational assistance.
3. Group term life insurance premiums for up to \$50,000 of life insurance. The following table is provided for your convenience for computing the taxable amount when the group term life insurance for an employee is over \$50,000.

UNIFORM PREMIUM TABLE – IRS TABLE 2-2
(Cost per \$1,000 of coverage for a 1-month period)
Applicable To 2017 (See Publication 15-B)

<u>Age of Individual*</u>	<u>Cost Per \$1,000</u>
Under Age 25	\$0.05
Age 25-29	0.06
Age 30-34	0.08
Age 35-39	0.09
Age 40-44	0.10
Age 45-49	0.15
Age 50-54	0.23
Age 55-59	0.43
Age 60-64	0.66
Age 65-69	1.27
Age 70 and Over	2.06

* Age as of last day of individual's tax year

4. Accident and health insurance premiums for insurance to provide benefits for employees in the event of personal injury or sickness. In addition, amounts received as damages (other than punitive damages) on account of personal physical injuries or physical sickness. However, interest included in an award of damages for personal physical injury action is includible in gross income. Damages received for emotional distress may not be treated as damages on account of a personal physical injury or sickness, except to the amount paid for medical care attributable to emotional distress.
5. Amounts paid specifically - either as advances or reimbursements - for traveling and other bona fide ordinary and necessary expenses incurred in or reasonably expected to be incurred in the business of the employer. See Exhibit 5 for more details.
6. Incentive stock options and employee stock purchase plan options are generally excludible. However, the spread between exercise price and fair market value of exercised nonstatutory stock option is reportable compensation. Use box 12 of Form W-2 and Code V. Generally, all withholding rules apply.

EXHIBIT 3 – page 2

7. Up to \$5,000 of child or dependent care assistance services that are paid by an employer and furnished pursuant to a written plan generally are not includable in the employee's gross income if the qualifying person is either (1) under 13 years of age when the care was provided, (2) a dependent who is physically or mentally dependent and resides with recipient employee for more than six months of the year, or (3) a spouse who is physically or mentally incapable of caring for themselves, who resides with recipient employee for more than six months of the year.

In addition to the benefits listed above, various noncash "Fringe Benefits" qualify for exclusion from employee compensation. Such noncash "Fringe Benefits" include the following:

8. No additional cost services, which are services provided to an employee that does not cause the employer any substantial additional cost because these services are already offered to the customers in the ordinary course of business.
9. Adoption assistance programs. Qualified adoption expenses under a written adoption assistance program are excludable from an employee's gross income. The qualified expenses may be paid to a third party or reimbursed to an employee by an employer. The dollar amounts of the exclusion and the phase out for higher income taxpayers are the same as the adoption credit; for 2018 the amount that may be excluded is \$13,840. The phase-out range for 2018 income is \$207,580 to \$247,580. The amount that may be excluded for 2017 is \$13,570 and the 2017 phase-out range is \$203,540 to \$243,540.
10. "Qualified" Achievement awards of tangible personal property for either length of service or safety achievement valued up to \$1,600. However \$400 is the ceiling, if the awards are not "qualified" plan awards. Further, the "qualified award plans" must not average over \$400 per year for all awards given that year. Refer to IRC Section 274(j)(3)(B).

The Tax Cuts and Jobs Act added a definition of "tangible personal property" that may be considered a deductible employee achievement award for amounts paid or incurred after December 31, 2017. It provides that tangible personal property shall not include cash, cash equivalents, gift cards, gift coupons or gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items pre-selected or pre-approved by the employer), or vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.

11. Various "de minimis" benefits. Examples include occasional meals, supper money, or local transportation provided because of overtime work, meals to employee-operated eating facilities; taxi fare; occasional cocktail parties or picnics; traditional holiday gifts.
12. Qualified moving expense reimbursements that the employee could deduct if paid without reimbursement prior to December 31, 2017. The Tax Cuts and Jobs Act repeals the exclusion from gross income for taxable years beginning after December 31, 2017.
13. Qualified employee discounts. An employee discount is the excess of (1) the price at which property or services are offered by an employer to nonemployee customers, over (2) the price at which the employer offers the same property or services to employees.
14. Working condition fringes. A working condition fringe is any property or service provided to an employee by the employer to the extent that the cost of the property or services would have been deductible by the employee as a trade or business expense under Code Sec. 162 or as a depreciation deduction under Code Sec. 167, if the employee had paid for the property himself. Examples are employee-paid business travel and the use of employer provided vehicles for business purposes.

EXHIBIT 3 – page 3

15. Qualified transportation fringe benefits. The benefits include:

- a. Transportation in a commuter highway vehicle (van pool), if in connection with travel between the employee's residence and place of employment.
- b. Transit passes for use on a mass transit facility (e.g., rail, bus or ferry) or a commuter highway vehicle
- c. Qualified parking at or near the employer's business premises or a location from which the employee commutes to work by mass transit, employer provided commuter highway vehicle or car pool.

The Tax Cuts and Jobs Act, signed into law on December 22, 2017, eliminated the employer deduction for qualified transportation fringe benefits for tax years beginning after December 31, 2017. These amounts, however, continue to be tax exempt and excludable from income to employees, who can pay their own mass transit or workplace parking costs using pretax income, through an employer-sponsored salary-deduction program.

- d. For transit passes or employer provided commuter highway vehicle "van pooling" a maximum of \$260 per month can be excluded by employees in 2018 and \$255 in 2017.
 - i. The rule that an employer reimbursement is excludable only if vouchers are not available to provide the benefit continues to apply, except in the case of reimbursements for vanpool or transit benefits of between \$130 and \$250, provided for months beginning after December 31, 2014, and before enactment of the 2015 PATH Act.
- e. For 2018, up to \$260 a month of qualified parking may be excluded (\$255 in 2017)
- f. Employers may offer excludable bicycle commuting benefits up to \$20 per month, for qualified bicycle commuting months during calendar year 2018 and 2017.

16. Qualified employer provided retirement advice. This includes any retirement planning services provided to an employee and spouse by an employer maintaining a qualified employer plan.

A word of caution, employee/owners (owning more than 2%) of a Subchapter S Corporation are not treated as an employee for fringe benefit purposes and may be subject to tax on such benefits. Also, unless specifically excluded, the value of fringe benefits provided to a partner for services rendered as a partner is generally treated as a guaranteed payment included in the partner's income.

All taxable compensation to employees should be reported on the employee's Form W-2. The W-2 should include taxable employee fringe benefits, even if they are not subject to income tax withholding.

Effective on March 30, 2010, children under the age of 27 are considered dependents of a taxpayer for purposes of the general exclusion of reimbursements for medical care expenses of an employee, spouse, and dependents under an employer-provided accident or health plan.

See IRS Publication 15-B for more detailed information.

EXHIBIT 4 - PAYMENTS TO DIRECTORS

The Internal Revenue Code specifically states that a "director" acting in his capacity as such is not an employee. Generally speaking, because a director is not an employee, all forms of compensation (cash, medical premiums, life insurance premiums, undocumented expense reimbursements, etc.) provided to a director are taxable and reported on Form 1099-MISC Box 7.

If a director incurs unreimbursed business expenses, or business expenses connected to payments received, which are included in Form 1099-MISC., the expenses are deductible against the director's income. It is the director's responsibility to deduct qualified expenses on his or her annual Form 1040.

An employer can provide certain benefits (insurance premiums, for example) to employees without the employee paying income tax. But the same benefit, when provided to a director, is taxable income to the director.

The reporting requirements of amounts paid to, or for directors, often vary from that of employees. This exhibit sets forth the reporting of various payments for directors.

Reimbursement of expenses without proper documentation paid to directors are reportable to the IRS on Form 1099-MISC. Per diem allowances may be used for directors without including them on a Form 1099 provided the time, place and business purpose of the travel are substantiated by adequate records and the director does not directly or indirectly own 10% of the entity paying the per diem.

	<u>No IRS Reporting Required</u>	<u>Reportable to IRS on Form 1099</u>
Fee for attendance at meetings		X
Reimbursement of actual expenses based upon proper record-keeping and qualifying per diems (1):		
Public transportation	X	
Lodging, Mileage	X	
Meals	X	
Convention or conference	X	
Other	X	
Reimbursement of expenses without documentation or via non-qualifying per diem (2):		
Mileage		X
Lodging		X
Meals		X
Convention or conference		X
Medical insurance premiums (2)		X
Life insurance premiums:		
Payer is beneficiary	X	
Director names beneficiary		X

EXHIBIT 4 – page 2

- (1) Proper documentation includes the substantiation of amount, time, place, business purpose, etc. Normally this will include completion of an expense report with receipts attached.
- (2) These items are reportable to the Director as taxable income; however, the Director then has the opportunity to deduct expenses on his or her individual income tax return. When these payments are included in a Form 1099, it is helpful to the recipient if a schedule showing a breakdown by category is enclosed with the Form 1099.

EXHIBIT 5 – EMPLOYEE BUSINESS EXPENSES AND EXPENSE ACCOUNTS

The IRS has issued guidance on the reporting and substantiation requirements for employee business expenses. The rules affect the way employers and employees report expenses and reimbursements. Employers are required to withhold Federal income and Social Security taxes from expense account allowances paid to employees where the employee is not required to substantiate the amount of business mileage or business expenses to the employer.

The rules begin by separating expense reimbursement policies into "accountable" and "non-accountable" plans. An accountable plan REQUIRES an employee to substantiate expenses incurred to the employer. This type of plan limits reimbursements to deductible business expenses paid or incurred in connection with the performance of services as an employee. This type of plan also requires that excess amounts be returned to the employer. Any unsubstantiated amounts which are not returned to the employer within a reasonable period of time will be subject to payroll taxes.

IRS has provided safe harbor rules defining a reasonable period of time. An example would be advances made not more than 30 days prior to the reimbursable expense where the employee accounts to the employer within 60 days after the reimbursable expense. Another example is where employers provide at least quarterly statements to employees reflecting unsubstantiated expenses. Under this safe harbor rule, any additional amounts substantiated and any reimbursements made by the employee within 120 days of the statement qualify thereby exempting those amounts from payroll taxes.

A practical distinction between an accountable and non-accountable plan focuses on the party who is responsible for substantiating the business purpose and amount of expenses incurred. A non-accountable plan leaves this burden upon the employee on his or her personal tax return. An accountable plan requires the employee to transfer this required detail of business expenses to the employer for tax reporting.

There are two major disadvantages to maintaining a non-accountable plan. The first affects employers. Employers must pay payroll taxes on the expense allowances. This payroll tax cost may be offset, in part, by the cost savings associated with reduced record keeping by the employer. The second major disadvantage affects the employee. Employee business expenses are deductible only as a miscellaneous itemized deduction which is subject to a limitation of 2% of adjusted gross income. The deductions are not available if the employee does not itemize deductions on their personal return. In addition, the nondeductible portion of meals and entertainment will be absorbed by the employee rather than the employer.

A method used to reduce the record keeping burden for both employers and employees is the use of per diems and mileage allowances. If the per diem amount does not exceed the Federal guideline for the area in which the travel and meal costs are incurred, substantiation is not required for the actual amount of the expenses incurred. However, the other substantiation requirements must still be met, (i.e., place and business purpose of the expense). The per diems vary by locality and are published by the IRS. The IRS has set specific per diem rates for various locations. See Exhibit 8 for a listing.

A person who owns at least 10% of a corporation or is a family member of a business owner cannot use the regular per diem method or the alternate high-low per diem method to substantiate expenses. Any amounts paid in excess of the Federal per diem will be subject to payroll taxes. The mileage allowance for business miles was 53.5 cents per mile for 2017. The IRS has announced the mileage rate beginning January 1, 2018 will be 54.5 cents per mile.

EXHIBIT 5 - page 2

Following are some sample situations and respective answers:

1. Situation: Employer reimburses employee actual expenses incurred, employee turned in receipts or documented expense vouchers.

Answer: Employer has the policing responsibility of making sure that the expenses are properly documented and are otherwise a legitimate business expense. An employee policy should be set that expenses will not be reimbursed unless they are properly documented. If they are not properly documented, they should either not be reimbursed by the employer or else they should be added to the employee's W-2.

2. Situation: Employee is reimbursed expenses by employer, employer requires no documentation to verify amount.

Answer: The reimbursed amount is to be reported on a W-2 as additional compensation to the employee. Then the employee has the responsibility of deducting appropriate expenses on his or her return.

3. Situation: Employee receives per diem of X-dollars per day when out of town.

Answer: If the per diem (a) is paid only when the employee is out overnight, (b) the per diem amount is reasonable, and (c) the per diem amount does not exceed the IRS guidelines (see Exhibit 8), then the amount does not have to be reported on the employee's W-2.

4. Situation: Employee receives mileage paid at a rate of 53.5 cents per mile for 2017.

Answer: As long as the mileage is for business and not commuting expense, reimbursement up to the amounts indicated during the specified time period for 2017 does not have to be reported on the employee's W-2. For reimbursements exceeding this, the employer is required to report the excess reimbursement on Form W-2. The amounts may be reported on the same Form W-2 showing wages paid to the employee, or may be reported on a separate W-2.

5. Situation: Employee or director receives company paid meals and amount is billed directly to company by restaurant.

Answer: If the bill or supporting data with the bill contains adequate documentation that it was for a legitimate business purpose and not for a convenience meal, the amount does not have to be reported on the employee's W-2 (or on Form 1099-MISC for directors). If the amount does not contain proper documentation, it should either be charged back and deducted from the employee's paycheck or else included in his W-2 (or on Form 1099-MISC for directors). It should be noted that the recommended treatment of deducting the amount from the employee's paycheck is to foster proper documentation on the charge slip.

6. Situation: Employee or director is given credit card for expenses incurred for employer, company pays all bills, employee generally does not complete expense vouchers unless out of town overnight.

Answer: The amounts do not have to be included in an employee's W-2, (or on Form 1099-MISC for directors), provided the expenses are legitimate business expenses and they are properly documented. If the employee is not out of town overnight and incurs meals, he or she should substantiate that this was a business meal and not a personal meal. If he or she cannot document that it was a business meal or was not out of town overnight, the amount should either be charged back to the employee, or included on Form W-2 (or on Form 1099-MISC for directors).

EXHIBIT 5 - page 3

7. Situation: What is the tax treatment of expenses incurred by officers and employees in connection with travel to national or district conventions? In some cases, the travel expenses include expenses for employees and their spouses.

Answer: If an employee is reimbursed on an actual expenses basis for ordinary and necessary expenses incurred as a delegate or participant in national or district conventions or conferences, the amounts reimbursed to them are not taxable to them, nor are they reportable on their income tax returns.

No deduction is allowed for spouses of directors or employees, unless it can be proven the spouse is a bona fide employee and is partaking in the trip because of a bona fide business purpose.

NOTE: If an employee was reimbursed at a rate which exceeds the legal per diem rate for use of the employee's automobile, it will be necessary for the employer to include the excess amounts paid as additional compensation to the employee or officer in a Form W-2. As stated above, if an employee is reimbursed on an actual expense basis or per diem which does not exceed the limits provided by law, the reporting of additional compensation on Form W-2 will not be required. When employee business expenses are reported on a W-2, the unsubstantiated amounts and the amounts in excess of per diem rates are reported in box 1, 3 and 5 of the Form W-2. The substantiated amounts and amounts up to the per diem rates are reported in box 12 of the Form W-2 using code L.

Employees who are related to their employers (members of the same family as the employer or who are stockholders owning more than 10% of the outstanding stock of an employer corporation) in addition to establishing time, place and business purpose of travel, must keep records of the amount spent daily for travel, broken down into reasonable categories such as meals, gasoline, oil and taxi fares. They must also obtain receipts for lodging regardless of amount.

EXCEPTIONS TO PAYROLL REPORTING REQUIREMENTS

The Internal Revenue Code specifically excludes certain expenses from the rigid requirements it sets forth:

Food and Beverages for Employees - Costs of operating an employee cafeteria are excluded, provided the eating facility is located on or near the employer's business premises and the revenue derived from the facility normally equals or exceeds the direct operating cost of the facility.

Business Meetings for Employees - Entertainment expenses directly related to bona fide business meetings for a taxpayer's employees involving the discussion of business matters, training, etc. are only subject to the record-keeping requirements as detailed in the next exhibit on record keeping.

Recreational and Social Expenses for Employees - Expenditures for social or recreational activities primarily for the benefit of a taxpayer's employees are only subject to the record-keeping requirement as detailed in the exhibit on record-keeping. For these items, the employer must not discriminate in favor of corporate officers, shareholders or highly compensated individuals. This exclusion applies to employee benefit programs such as:

1. Christmas parties, annual picnics, summer outings, etc., or
2. Maintaining a swimming pool, baseball diamond, bowling alley or golf course.

EXHIBIT 6 - RECORD-KEEPING FOR TRAVEL, ENTERTAINMENT AND MEALS EXPENSE

The requirements pertaining to travel and entertainment expenses affect all businesses and individuals. The following summary should clarify the requirements pertaining to the deduction of travel, entertainment and gift expenses.

Entertainment and Meal Expenses

As a general rule for 2017, business entertainment and meal expenses will be deductible only if it can be established that they are ordinary and necessary expenses of carrying on a trade or business. The business entertainment and meal expenses must also be properly substantiated. If you are not in a particular trade or business, entertainment and meal expenses may be deductible if they are to be used for the production or collection of income, provided the individual itemizes deductions.

The Tax Cuts and Jobs Act eliminated the deduction for activities generally considered to be entertainment, amusement, or recreation effective for tax years beginning after December 31, 2017.

To establish that expenditures are ordinary and necessary expenses, you must be able to show that the expenses are:

1. Directly related to the active conduct of your trade or business, or
2. Associated with the active conduct of your trade or business.

For an entertainment or meal expenditure to meet the "directly related" test, you must be able to show that:

1. You had more than a general expectation of deriving income or some other specific benefit at some time in the future. This specifically excludes items of expenditure made in the sense of a goodwill gesture.
2. That you did engage in business during the entertainment or meal period with the person being entertained.
3. The primary reason for or aspect of the combined business and entertainment or meal was the transaction of business.

The key point in establishing whether an activity meets the "directly related" test would be the proximity of the meeting place to a clear business setting. Expenses for entertainment or meals in a clear business setting directly in furtherance of your trade or business are considered directly related to the active conduct of your trade or business. Expenses are considered not to meet the "directly related" test when there are circumstances present which indicate there will be little or no possibility of engaging in active conduct of business. Examples of expenses which would have difficulty meeting the "directly related" test are those incurred at meetings which are conducted at lounges or night clubs, theaters, sporting events, or at social gatherings in which you meet with groups of people. This assumption can be overcome by proving you did engage in a substantial business discussion during the entertainment. It should be noted, however, that the burden of proof and substantiation is on you.

Entertainment and meal expenses that do not meet the "directly related" test, but which are "associated with" the active conduct of your trade or business are allowable if it directly precedes or follows a substantial and bona fide business discussion. If you were to have a business discussion with a client or a potential client which was followed by some form of entertainment or meal expenditure, the "associated with" test would have been met. Goodwill entertaining is generally deductible as "associated with" entertainment if its purpose is to get new business or encourage the continuation of a business relationship or it can be shown that the entertainment is associated with the active conduct of your business. For entertainment related meals to be deductible two other

restrictions apply, you (or an employee of yours) must be present at the meal and food and beverages cost that are considered lavish or extravagant under the circumstances will not be deductible.

In addition to substantiating the business purpose, you must maintain adequate records of the transaction. The following are types of documentation that are to be maintained for travel, meals and entertainment.

Travel - you are required to maintain the following records:

1. The mileage reading of your business automobile should be recorded on the first and last day of each year.
2. The business mileage driven is not required to be written in a diary. However, adequate records need to be maintained to substantiate the business use of vehicles.
3. If you travel by a method other than your business automobile, you should retain the receipts.
4. In addition to the business mileage or the cost of alternate travel methods, you should note where you went, whom you went to see and why you went to see them.
5. The cost of lodging must be supported by a receipt.
6. The cost of meals incurred in your travel while out of town overnight should be written in a diary and if less than \$75, no receipt is required.
7. The cost of incidental expenses, such as gratuities, cab fares, laundry, tolls, parking and telephone calls, incurred in your travel should be written in a diary and no receipt is generally required if less than \$75 per day. These incidental expenses can be grouped by category.
8. If you claim actual automobile expenses in lieu of the standard mileage allowance, the costs of business automobile operations, such as gasoline and oil, repairs, tires and supplies, insurance, taxes, licenses, interest and miscellaneous, must be supported by receipts.
9. Whether actual expenses plus depreciation or lease payments, or the mileage allowance method is used, the cost of business – connected tolls and parking can also be deducted as long as there's a record of the expense.

Meals and Entertainment - you must maintain the following records:

1. The receipted amount of each separate expenditure for meals and entertainment. This receipt should indicate the name, date, location and type of entertainment.
2. Either on the receipt or in a diary you should indicate who was entertained and the business purpose of meals or entertainment. A summary of the business relationship and discussion should also be made either on the receipt or in a diary.

You should record the elements of an expenditure in your records at or near the time of the expenditure. Recording these entries substantially after the fact will not comply with the record-keeping rules.

A canceled check, together with a receipt, paid bill, or similar evidence sufficient to support an expenditure, ordinarily will establish the nature of an expense.

EXHIBIT 6 - page 3

Dues for country clubs and other facilities which you use for entertaining such as yachts, lodges and boats are not deductible. For entertainment facilities, the no-deduction rules applies to rent, depreciation, maintenance, operating expenses, but not to expenses that would otherwise be deductible such as taxes.

In addition the following requirements must be met:

- 1) meals must not be lavish or extravagant,
- 2) a bona fide business discussion must precede, directly follow or be discussed during the meal, and
- 3) an employee must be present at the meal.

The amount allowable as a deduction will be limited to 50% of such expenses. This 50% provision will affect the employers if employees are reimbursed for their meal and entertainment expenses. The 50% deduction limit for meals and entertainment also applies to tax-exempt organizations filing Form 990-T.

For 2017, the out-of-town business meals deduction is 80% for individuals subject to the Department of Transportation's hours-of-service limitations.

Business Gifts

You are permitted to deduct business gifts if you can prove that the gift was an ordinary and necessary business expense or an investment related expense. The amount which you may deduct is limited to \$25 per year for each recipient. However, there is no dollar limit on the deductions of a gift made to a corporation, partnership and other business entity. But, if the gift is intended for the eventual use of an employee, they are subject to the \$25 limitation.

You may exclude from the \$25 limitation items which cost less than \$4 each which contain your business name (i.e., pens, etc.). You may also exclude promotional items such as signs, display racks or other promotional material which are intended for use on the business premises of the recipient. Finally, you may exclude gifts of tangible personal property having a cost of \$400 or less which are awarded to an employee for length of service or safety achievement.

As an employer, you can distribute turkeys, hams or other merchandise of nominal value to employees as holiday gifts. Employees do not have to include the value of these gifts in their income.

Travel Expenses - Domestic

Any expenses which you may incur in business travel away from home overnight are generally deductible as trade or business expenses. You may also deduct travel expenses which are utilized for the production of income. If you own rental property, you may be allowed to deduct the travel expenses incurred to inspect your rental property. Travel expenses include mileage fares, meals and lodging. To be deductible, domestic travel must be primarily related to business; also, it is subject to the record-keeping requirements and deductible limits discussed in the entertainment section.

See Caution under Foreign Conventions below for discussion of cruise ship expenses.

EXHIBIT 6 - page 4

Travel - Foreign (other than conventions)

If you travel outside the United States and spend the entire time on business activities, all related costs are deductible. Even if you did not spend all the time on business activities, there are four situations that allow all expenses to be deducted anyway. These exceptions are:

1. The length of the trip is seven consecutive days or less (not counting the day you leave the United States and the day you return); all of the related expenses are deductible.
2. The length of the trip is more than 7 days but less than 25% of the total time was spent on non-business activities.
3. The traveler has no substantial control over arranging the trip outside the United States. An employee is considered not having substantial control if he isn't a managing executive or doesn't own 10% or more of the employer.
4. The individual can establish that a personal vacation was not a major consideration in making the trip.

Travel expenses that are primarily for business must be allocated based on a fraction of business days to total days. Travel days (not including extra travel time for non-business activities), "presence required" days (even if most of the time was not spent on business) and weekends/holidays that fall between business days are all counted as business days.

Travel expenses for primarily personal reasons are non-deductible except for conference fees or registration costs.

Foreign Conventions

A foreign convention is defined as a convention, seminar or similar meeting held outside the "North American area". The North American area is defined as the United States, its possessions, the former Trust Territory of the Pacific Islands, (the Republic of Marshall Islands, the Federated States of Micronesia and the Republic of Palau), Canada and Mexico. The United States consists of the fifty states and the District of Columbia. The IRS treats as possessions of the United States for this purpose: American Samoa, Baker Island, Puerto Rico, the Northern Mariana Islands, Guam, Howland Island, Jarvis Island, Johnston Island, Kingman Reef, Midway Island, Palmyra Atoll, the U.S. Virgin Islands, Wake Island and other U.S. Islands. The North American area also includes what is termed a "beneficiary country". Beneficiary countries include: Antigua and Barbuda, Barbados, Bermuda, Costa Rica, Dominica, Dominican Republic, Grenada, Guyana, Honduras, Jamaica, Trinidad, and Tobago. In addition, certain agreements provide that Aruba, Bahamas and Netherland Antilles are North American areas.

Travel expenses to and from foreign conventions are fully deductible only if at least one-half of the total days (not including travel days) are devoted to business related activities. If less than one-half of the days are devoted to business related activities, only the percentage of business days to total days will be allowed. A deduction for a full day is allowed only if there are at least 6 hours of scheduled business activities. If there are 3 hours of scheduled business activities on a certain day, a deduction for one-half day is allowed.

EXHIBIT 6 - page 5

Deductible transportation costs are limited to the lowest coach or economy rate charged by a commercial airline during the calendar month in which the convention begins. The deduction for meals, lodging and local transportation is limited to the per diem rate allowable to U.S. civil servants in that country during the month of the convention. In addition, you must attend two-thirds of the total scheduled business activities to obtain the deduction for the meals, lodging and local transportation.

The substantiation requirements for foreign convention deductions impose responsibilities upon both the individual who attends the convention and the organization which sponsors the convention. The following documents must be attached to the tax return on which the deduction is claimed:

1. A written statement signed by the individual attending the convention which includes:
 - A. Information disclosing the total number of days on the trip excluding travel days to and from the convention.
 - B. The number of hours which the individual devoted to scheduled business activity on a day by day basis.
 - C. A program of the scheduled business activities of the convention.
2. A written statement signed by an officer of the organization or group sponsoring the convention which includes:
 - A. A schedule of the business activities of each day of the convention.
 - B. The number of hours which the individual attending the convention attended scheduled business activities.

Caution – Meetings aboard cruise ships have additional limitations and requirements to be considered.

The deduction for attending a convention, seminar or meeting on a cruise ship is limited to \$2,000, per reporting person, and may only be deductible if the following requirements are met:

1. Reporting requirements – 2 statements – First, a statement, signed by the person attending the convention, seminar or meeting, that includes information as to the total days of the trip, not including travel days to and from the place of departure, and the number of hours each day spent on scheduled business activity, a program of the scheduled events and other information the IRS may require. The second statement, signed by an officer of the event convention, seminar or meeting sponsoring group, must include a schedule of business activity attended scheduled events and other information the IRS may require.
2. A direct connection between the convention, seminar or meeting and the active conduct of the taxpayer's trade or business is established.
3. The cruise ship is registered in the U.S.
4. All ports of call on the cruise are located in the U.S. or U.S. possessions.

Because the cruise ship must be registered in the U.S., no deductions can be taken for conventions, seminars or meetings held on a cruise ship with a foreign flag registry and no deduction is allowed if any port of call is a foreign port.

EXHIBIT 7 - RECORD-KEEPING AND DEDUCTIONS FOR BUSINESS VEHICLES

You are required to substantiate the amount of vehicle expenses, the time and place of the expenses and the business purpose of the expenses. Contemporaneous records (daily logs) are recommended but not required. However, some form of written substantiation will be necessary.

Employers will not be required to keep duplicate copies of the records kept by employees. Employers can have the employee prepare a summary statement of the total mileage, the business mileage, the percentage of business use and indicate whether or not the employee has written records. Employers can rely on the statement by employees for purposes of payroll tax withholding (if the vehicle is used for the employee's personal use) unless the employer knows or has reason to know the information is false. Similarly, questions regarding total mileage, percentage of business use and whether written records exist will be required on the employer's income tax returns.

VEHICLES FOR INDIVIDUALS FOR WHICH NO RECORDS ARE REQUIRED

No records are needed for vehicles operated under an observed written policy of the employer limiting personal use and those that, by their nature, are unlikely to be used for personal purposes.

The first category (employer's written policy limiting personal use) covers two situations: (1) vehicles that are kept on the employer's premises during non-business hours, and (2) vehicles for which the only personal use is commuting between the employee's residence and their place of employment.

Thus, no records are required for a vehicle owned or leased by an employer that is kept on the employer's premises when it is not being used for business purposes, provided there is a generally observed written policy that no employee can use the vehicle for personal purposes. Also, no records are required for a vehicle owned or leased by the employer if (1) an employee (other than an officer, director or 1% or more owner) is required to commute in the vehicle for valid business reasons, (2) there is a generally observed written policy that the vehicle is not used for personal purposes other than commuting, and (3) an appropriate amount is included in the employee's wages for the commuting use. The optional \$3 per day valuation for commuting use under previous IRS regulations can still be used.

The second category (vehicles unlikely to be used for personal purposes) consists of the following list of vehicles exempt from the record keeping and rules:

1. Clearly marked police and fire vehicles (and in certain cases unmarked police vehicles)
2. Delivery trucks with seating only for the driver and a folding jump seat
3. Cargo vehicles with a gross vehicle weight over 14,000 pounds
4. Passenger buses with a capacity of at least 20 passengers
5. Ambulances or hearses
6. Tractors and specialized farm vehicles
7. School buses
8. Flatbed trucks
9. Bucket trucks ("cherry pickers")
10. Cranes & derricks
11. Forklifts
12. Cement mixers
13. Dump trucks including garbage trucks
14. Refrigerated trucks
15. Qualified moving vans
16. Combines
17. Qualified specialized utility repair trucks
18. Unmarked law enforcement vehicles

EXHIBIT 7 - page 2

WITHHOLDING RULES

Employers are required to include amounts in an employee's wages based on personal use of an automobile. However, income tax withholding is not mandatory. An employer will be able to elect not to withhold income taxes on wages due to personal use of vehicles if the affected employees are so notified by the employer. The annual income tax withholding election is made by the employer on an employee-by-employee basis. The election not to withhold must be made by January 31 of the year the employer elects not to withhold income taxes, or 30 days after the employer first makes a vehicle available for an employee's personal use. Employers will still have to withhold and match the employee's share of FICA taxes and pay unemployment taxes on the personal use. An employer can elect to withhold and pay the applicable payroll taxes by pay period, quarterly, semiannually, or annually, as long as all taxable benefits received are treated as paid in the calendar year in which they are provided. The period of reporting income can vary from employee to employee.

Employers may also elect to include the full value of the use of a company vehicle in an employee's wages without regard to the actual business or personal use of the employee. If this option is elected, the employer can either reimburse the employee for the business use of the vehicle or the employee can claim deductions on the employee's individual tax return for the business use of the vehicle on IRS Form 2106.

Under a special accounting rule, the employer may treat the value of benefits actually provided during the last two months of the calendar year or any shorter period as paid during the subsequent calendar year. However, if this option is elected, the employee must use the same delayed rules for deductions on his or her personal return. For example, assume an employer provides the employee a vehicle and elects to include 100% of the value of the vehicle in the employee's income. Further assume the employer elects to use the special accounting rule and treat the value of the November and December use of the vehicle as paid during the next calendar year. The employee may deduct only the business use of the vehicle attributable to the first ten months of the year on his or her current tax return. Any unreimbursed expenses relating to the employee's business use of the vehicle during the last two months may be deducted in the next year.

VALUING PERSONAL USE OF COMPANY OWNED CARS

The Internal Revenue Service issued regulations relating to the personal use of company vehicles. Employers usually control the choice of valuation methods. Therefore, employers should pay close attention to the regulations so that they are able to choose valuation methods best suited to meet their substantiation, reporting and withholding duties as well as what is most beneficial for their employees.

The IRS regulations indicate one general rule and three special valuation rules for valuing the personal use of company vehicles. They are as follows:

GENERAL RULE

1. An employee's income addition for the use of an employer provided vehicle equals the cost of an arm's-length lease of a comparable vehicle on comparable terms in the same geographic area, multiplied by the percentage of personal use. A cents per mile rate cannot be used unless the employee can substantiate that a comparable vehicle could have been leased on a cents per mile basis.

The value of insurance, maintenance, fuel or other related benefits, if provided by the employer, must be included in the value.

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SPECIAL VALUATION RULES

2. Automobile Lease Valuation Rule

(Generally Simpler than the General Rule)

The amount of income an employee must report for the personal use of an employer's automobile is calculated by using the Annual Lease Value table provided by the Internal Revenue Service. To calculate the amount to be included in income under this method, an employer must:

- (a) Determine the fair market value of the automobile as of the first date that the automobile is made available to any employee for personal use;
- (b) Select the annual lease value in the table that corresponds with the fair market value;
- (c) Reduce the annual lease value to reflect periods of unavailability, if any;
- (d) Add the value of all other services provided in connection with the vehicle, except insurance and maintenance; and
- (e) Multiply the annual lease value, as adjusted, by the employee's percentage of personal use.

If the employer provides fuel for the automobile, the value of that fuel must be included under one of two methods:

- a. The fair market value based on all the facts and circumstances or;
- b. 5.5 cents per mile can be used.

A copy of the complete IRS valuation table follows:

ANNUAL LEASE VALUE TABLE (See Publication 15-B)

<u>Automobile Fair Market Value</u>	<u>Annual Lease Value</u>	<u>Automobile Fair Market Value</u>	<u>Annual Lease Value</u>
\$0 – 999	\$600	\$22,000 – 22,999	\$6,100
1,000 – 1,999	850	23,000 – 23,999	6,350
2,000 – 2,999	1,100	24,000 – 24,999	6,600
3,000 – 3,999	1,350	25,000 – 25,999	6,850
4,000 – 4,999	1,600	26,000 – 27,999	7,250
5,000 – 5,999	1,850	28,999 – 29,999	7,750
6,000 – 6,999	2,100	30,000 – 31,999	8,250
7,000 – 7,999	2,350	32,000 – 33,999	8,750
8,000 – 8,999	2,600	34,000 – 35,999	9,250

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9,000 – 9,999	2,850	36,000 – 37,999	9,750
10,000 – 10,999	3,100	38,000 – 39,999	10,250
11,000 – 11,999	3,350	40,000 – 41,999	10,750
12,000 – 12,999	3,600	42,000 – 43,999	11,250
13,000 – 13,999	3,850	44,000 – 45,999	11,750
14,000 – 14,999	4,100	46,000 – 47,999	12,250
15,000 – 15,999	4,350	48,000 – 49,999	12,750
16,000 – 16,999	4,600	50,000 – 51,999	13,250
17,000 – 17,999	4,850	52,000 – 53,999	13,750
18,000 – 18,999	5,100	54,000 – 55,999	14,250
19,000 – 19,999	5,350	56,000 – 57,999	14,750
20,000 – 20,999	5,600	58,000 – 59,999	15,250
21,000 – 21,999	5,850		

For vehicles having a fair market value in excess of \$59,999, the annual lease value is equal to: (.25 x automobile fair market value) + \$500. This annual lease valuation is the same for the first four years of use with the lease value determined on the vehicle value at the beginning of the four year period.

The annual lease value for each subsequent four-year period is determined under the same rules described above, but on the basis of the fair market value of the vehicles on the January 1 following the end of the preceding four year period.

3. Vehicle Cents Per Mile Valuation Rule

If three tests are met, then the personal use can be valued using the standard mileage rate, which is 54.5 cents per mile for 2018 (53.5 cents per mile for 2017). Maintenance, insurance and fuel costs are included. If the employer does not provide the fuel, the cents per mile rate can be reduced by 5.5 cents per mile. The three requirements to enable taxpayers to utilize the vehicle cents per mile method are:

;

- a. The employer reasonably expects that the vehicle will be used regularly in the employer's trade or business. There are two safe harbor rules here:
 - i. The vehicle is used by at least three employees each workday in an employer sponsored commuting pool, or
 - ii. At least 50% of the miles placed on the vehicle during the year are for the employer's business.
- b. If (a) above does not apply, but the vehicle is actually driven at least 10,000 miles in a given year and is used primarily by employees, then the cents per mile method may be used. The test that the vehicle be used primarily by employees is deemed satisfied if employees use the vehicle on a consistent basis for commuting.

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- c. In accordance with Notice 2017-3, the fair market value of the automobile is determined as of the first date on which the automobile is made available to an employee of the business for his or her personal use and cannot exceed \$15,900 for passenger automobiles and \$17,800 for trucks and vans for 2017. Also, the fair market value of any automobile first made available to an employee for whom the fleet average valuation rule may be applicable cannot exceed \$21,100 for passenger automobiles and \$23,300 for a truck or van for 2017.

4. Commuting Valuation Rule

Use of a company vehicle for commuting purposes can be valued at \$1.50 per one way commute if the two following requirements are met:

- a. The employer requires the employee to commute to or from work in the company vehicle for bona fide noncompensatory business reason.
- b. The employer has a written policy prohibiting personal use other than commuting and any personal use is de minimis.

This method is not available to a control employee. A control employee is defined as the following:

- a. A board or shareholder-appointed, confirmed or elected officer whose compensation equals or exceeds \$110,000 in 2017 and \$105,000 in 2016 (Notice 2017-64);
- b. A director of the employer, or;
- c. A one percent or greater owner (equity, capital or profits interest) of the business;
- d. An employee whose compensation equals or exceeds \$220,000 in 2018 and \$215,000 in 2017;
- e. For governmental employees, a control employee is an elected official or a governmental employee whose compensation equals or exceeds \$153,800 in 2018 and \$151,700 in 2017.

ELECTION OF A SPECIAL VALUATION RULE

To use the special valuation rules, they must be elected by the employer. A special valuation rule is considered to be elected by an employer if it values the use of a vehicle by applying the rule for income tax, employment tax and reporting purposes. Neither the employer nor the employee need notify the Internal Revenue Service of the election, but the employer must notify the employee. Once an election is made, it is, for the most part, binding for the life of the vehicle.

The automobile lease valuation rule and the vehicle cents per mile rule must be adopted to take effect by the first day that the vehicle is made available to an employee for personal use. If a timely election is not made, the vehicle must be valued according to the general valuation method, except that the commuting valuation rule may be elected for any qualifying period.

NOTIFICATION TO EMPLOYEE OF EMPLOYER'S ELECTION

In order to use a special valuation rule, the employer must notify the employee by the later of January 31 of the calendar year of the election or 30 days after the employer first makes a vehicle available for an employee's personal use.

If an employer elected to use a special valuation rule for the immediately preceding calendar year and notified the affected employee in the manner explained below, then the employer need not notify the employee that the employer elects to continue using the same special valuation rule. If an employer elects to discontinue using a special valuation rule and either elects to use another special valuation rule or applies general valuation principles to determine the value of the employer provided benefit, the employer must notify the affected employee of the change in election.

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CONTENT OF NOTICE

The notice to the employees must contain the following:

- a. Must state that the employer is electing to use a special valuation rule (name the rule) for valuing a benefit provided to the employee. If the employer is not certain which vehicle valuation rule will apply, the employee must be notified of the special valuation rules that may apply.
- b. The employee must be notified of the applicable IRS Code Section 274(d) substantiation requirements that the employee must keep. The employee must also be notified of the effect of failure to comply with such requirements.
- c. The notice must state the date on which the notice is provided.

FAILURE TO SUPPLY THE REQUIRED NOTICE ON A TIMELY BASIS WILL PRECLUDE THE EMPLOYER FROM USING A SPECIAL VALUATION RULE. INSTEAD, THE EMPLOYER WILL BE REQUIRED TO USE THE GENERAL VALUATION METHOD.

DEPRECIATION OF VEHICLES

(Note – The following schedules are applicable to vehicles placed in service during 2017* utilizing 50% bonus depreciation.)

Passenger Luxury Autos (100% Business Use)

	<u>Without Bonus Depreciation</u>	<u>Maximum Bonus First Year Depreciation</u>	<u>TOTAL</u>
First Year*	\$3,160	\$8,000	\$11,160
Second Year	\$5,100	0	5,100
Third Year	\$3,050	0	3,050
Fourth Year & After	\$1,875	0	1,875

Passenger Light Trucks & Vans (100% Business Use)

First Year*	\$3,560	\$8,000	\$11,560
Second Year	\$5,700	0	5,700
Third Year	\$3,450	0	3,450
Fourth Year & After	\$2,075	0	2,075

Example: In June 2017, Janice places a passenger automobile with 100% business use in service that costs \$20,000 and is eligible for the 50% bonus depreciation deduction*. The first year depreciation for Janice’s auto is \$10,400, leaving a basis of \$9,600. If the automobile instead had a cost of \$30,000 and is eligible for 50% bonus depreciation, the first year limitation for Janice’s auto would be \$11,160, leaving a basis of \$18,840.

***For passenger automobiles placed in service after December 31, 2017, and for which the additional first-year depreciation deduction under section 168(k) is not claimed, the maximum amount of allowable depreciation is**

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\$10,000 for the year in which the vehicle is placed in service, \$16,000 for the second year, \$9,600 for the third year, and \$5,760 for the fourth and later years in the recovery period. Transition rules apply for assets acquired before September 28, 2017 and placed in service after September 27, 2017.

In order to claim first-year bonus depreciation, the vehicle must be 100% new in the first year purchased by the taxpayer for assets placed in service prior to September 28, 2017. The Tax Cuts and Jobs Act changed the original use requirement and assets placed in service after September 27, 2017 can qualify for bonus depreciation if new or used.

Note: Bonus depreciation does not have to be taken if Taxpayer elects out of taking the bonus amount. If no election out is made, bonus depreciation will be taken.

No more than \$25,000 of the cost of a heavy SUV may be expensed under code Sec. 179. The \$25,000 expensing limit applies to any 4-wheeled vehicle which (1) is primarily designed to carry passengers on public streets, roads and highways, and (2) has a gross vehicle weight rating of more than 6,000 pounds but not more than 14,000 pounds. 50% first year bonus depreciation will also apply if the vehicle was purchased new in 2015 depending on the date placed in service. After deducting Sec. 179 expense and 50% first-year bonus depreciation, regular depreciation rules are applicable to the remaining depreciable basis in 2017. The Sec. 179 and 50% first-year bonus depreciation are fully deductible, even if placed in service on December 31, 2017 as mid-quarter convention rules do not apply (Rev. Proc. 2012-13).

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The Code Sec. 280F “luxury auto” dollar caps apply to a passenger auto whose purchase price for 2017 exceeds \$15,900 and is a four-wheeled vehicle which is manufactured primarily for use on public streets, roads, and highways, and is rated at an unloaded gross vehicle weight of 6,000-pounds or less.

In the case of a light truck or van, the dollar cap for 2017 is \$17,800 and the above 6,000-pound weight test is applied to the trucks or van’s gross (loaded) vehicle weight rather than its unloaded gross vehicle weight. If the truck or van exceeds 6,000 pounds loaded, it is excluded from the more restricted depreciation rules contained in Sec.280F(d)(5).

The lease deduction for vehicles is limited through the use of an income inclusion amount based on the year in which the lease begins. These inclusion amounts for autos first leased in 2017 are applicable for passenger autos with a beginning fair market value equal or over \$19,000, and for light trucks and vans valued equal to or over \$19,500, at the inception of the lease. The applicable dollar value is indexed annually. (Rev. Proc. 2017-29).

As stated above, SUV vehicles over 6,000 GVW and less than 14,000 GVW cannot take the full Section 179 deduction and are instead limited to \$25,000. Vehicles not considered SUV’s are:

- 1.) Designed to seat more than 9 people behind the driver (hotel shuttles)
- 2.) Has a cargo area of at least 6 feet in interior length which is open or has a cover not readily accessible from the passenger compartment (pickup bed with/without topper)
- 3.) Has no seating behind the driver and no portion of the auto body protrudes more than 30 inches in front of the windshield (electrician’s van)

INFORMATION TO EMPLOYEES

Employers must include in boxes 1, 3, 5 and 14 of the W-2, the value of the personal portion of a vehicle provided in a calendar year. Employers may include the value of the fringe benefits on a separate W-2. The employer may elect to include 100% of the value of the vehicle in the employee’s income or elect to use the special accounting rule. If these elections are used, special notification is required. If 100% of the vehicles annual lease value is included in the employee’s income, this value must be reported in box 14 or on a separate statement to the employee. The box numbers referred to relate to the 2017 Form W-2. Subsequent changes in the form may change the numbers IRS assigns to the boxes.

EXHIBIT 8 – TRAVEL PER DIEM RATES FOR CERTAIN STATES

Employee reimbursement at per diem rates is considered as adequate accounting as long as such rates don't exceed the maximum daily rate allowed for federal government employees. When the reimbursement rates exceed the allowed amount, the excess over the per diem allowance is to be treated as taxable wages.

FY 2017 Per Diem Rates - Effective October 1, 2016 through September 30, 2018

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
	Standard Rate for Period October 1, 2016 through September 30, 2017			\$ 91	\$ 51	\$ 142
	Standard Rate for Period October 1, 2017 through September 30, 2018			\$ 93	\$ 51	\$ 144
	Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.			\$ 93	\$ 51	\$ 144

The following schedule indicates the per diem rates for selected cities as of the last revision on October 1, 2017 and are applicable to the period beginning October 1, 2017 through September 30, 2018. For periods earlier than October 1, 2017, refer to the Eide Bailly LLP Annual Tax Letter issued in January, 2017. The maximum lodging rate does not include hotel taxes – lodging amounts are room rates only.

Arizona

AZ	Grand Canyon / Flagstaff	October 1	October 31	\$142	\$64	\$206
AZ	Grand Canyon / Flagstaff	November 1	February 28	\$93	\$64	\$157
AZ	Grand Canyon / Flagstaff	March 1	April 30	\$110	\$64	\$174
AZ	Grand Canyon / Flagstaff	May 1	September 30	\$142	\$64	\$206
AZ	Kayenta	October 1	October 31	\$126	\$59	\$185
AZ	Kayenta	November 1	February 28	\$104	\$59	\$163
AZ	Kayenta	March 1	September 30	\$126	\$59	\$185
AZ	Phoenix / Scottsdale	October 1	December 31	\$124	\$59	\$183
AZ	Phoenix / Scottsdale	January 1	March 31	\$174	\$59	\$233
AZ	Phoenix / Scottsdale	April 1	May 31	\$133	\$59	\$192
AZ	Phoenix / Scottsdale	June 1	August 31	\$93	\$59	\$152
AZ	Phoenix / Scottsdale	September 1	September 30	\$124	\$59	\$183
AZ	Sedona			\$162	\$74	\$236
AZ	Tucson	October 1	December 31	\$93	\$59	\$152
AZ	Tucson	January 1	February 28	\$118	\$59	\$177
AZ	Tucson	March 1	September 30	\$93	\$59	\$152

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
Standard Rate for Period October 1, 2016 through September 30, 2017				\$ 91	\$ 51	\$ 142
Standard Rate for Period October 1, 2017 through September 30, 2018				\$ 93	\$ 51	\$ 144
Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.				\$ 93	\$ 51	\$ 144

Colorado

CO	Aspen	October 1	November 30	\$164	\$74	\$238
CO	Aspen	December 1	March 31	\$424	\$74	\$498
CO	Aspen	April 1	May 31	\$181	\$74	\$255
CO	Aspen	June 1	August 31	\$236	\$74	\$310
CO	Aspen	September 1	September 30	\$164	\$74	\$238
CO	Boulder / Broomfield	October 1	April 30	\$130	\$59	\$189
CO	Boulder / Broomfield	May 1	August 31	\$153	\$59	\$212
CO	Boulder / Broomfield	September 1	September 30	\$130	\$59	\$189
CO	Colorado Springs			\$106	\$59	\$165
CO	Cortez	October 1	May 31	\$93	\$59	\$152
CO	Cortez	June 1	September 30	\$115	\$59	\$174
CO	Crested Butte / Gunnison	October 1	November 30	\$105	\$64	\$169
CO	Crested Butte / Gunnison	December 1	March 31	\$154	\$64	\$218
CO	Crested Butte / Gunnison	April 1	August 31	\$119	\$64	\$183
CO	Crested Butte / Gunnison	September 1	September 30	\$105	\$64	\$169
CO	Denver / Aurora			\$180	\$69	\$249
CO	Douglas			\$127	\$59	\$186
CO	Durango	October 1	May 31	\$105	\$64	\$169
CO	Durango	June 1	September 30	\$160	\$64	\$224
CO	Fort Collins / Loveland			\$109	\$59	\$168
CO	Grand Lake	October 1	November 30	\$117	\$64	\$181
CO	Grand Lake	December 1	March 31	\$182	\$64	\$246
CO	Grand Lake	April 1	May 31	\$101	\$64	\$165
CO	Grand Lake	June 1	September 30	\$117	\$64	\$181
CO	Montrose			\$95	\$64	\$159
CO	Silverthorne / Breckenridge	October 1	November 30	\$121	\$64	\$185
CO	Silverthorne / Breckenridge	December 1	March 31	\$196	\$64	\$260
CO	Silverthorne / Breckenridge	April 1	May 31	\$105	\$64	\$169
CO	Silverthorne / Breckenridge	June 1	September 30	\$121	\$64	\$185
CO	Steamboat Springs	October 1	November 30	\$114	\$74	\$188
CO	Steamboat Springs	December 1	March 31	\$187	\$74	\$261
CO	Steamboat Springs	April 1	May 31	\$102	\$74	\$176
CO	Steamboat Springs	June 1	September 30	\$114	\$74	\$188
CO	Telluride	October 1	December 31	\$219	\$74	\$293
CO	Telluride	January 1	March 31	\$370	\$74	\$444
CO	Telluride	April 1	September 30	\$219	\$74	\$293

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
Standard Rate for Period October 1, 2016 through September 30, 2017				\$ 91	\$ 51	\$ 142
Standard Rate for Period October 1, 2017 through September 30, 2018				\$ 93	\$ 51	\$ 144
Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.				\$ 93	\$ 51	\$ 144

Colorado, Continued

CO	Vail	October 1	November 30	\$140	\$74	\$214
CO	Vail	December 1	March 31	\$377	\$74	\$451
CO	Vail	April 1	June 30	\$149	\$74	\$223
CO	Vail	July 1	August 31	\$192	\$74	\$266
CO	Vail	September 1	September 30	\$140	\$74	\$214

Iowa

IA	Dallas			\$118	\$54	\$172
IA	Des Moines			\$109	\$59	\$168

Idaho

ID	Coeur d'Alene	October 1	May 31	\$93	\$59	\$152
ID	Coeur d'Alene	June 1	August 31	\$126	\$59	\$185
ID	Coeur d'Alene	September 1	September 30	\$93	\$59	\$152
ID	Sun Valley / Ketchum	October 1	May 31	\$110	\$54	\$164
ID	Sun Valley / Ketchum	June 1	August 31	\$133	\$54	\$187
ID	Sun Valley / Ketchum	September 1	September 30	\$110	\$54	\$164

Minnesota

MN	Duluth	October 1	October 31	\$154	\$64	\$218
MN	Duluth	November 1	May 31	\$120	\$64	\$184
MN	Duluth	June 1	August 31	\$173	\$64	\$237
MN	Duluth	September 1	September 30	\$154	\$64	\$218
MN	Eagan / Burnsville / Mendota Heights			\$96	\$59	\$155
MN	Minneapolis / St. Paul			\$149	\$64	\$213
MN	Rochester			\$122	\$64	\$186

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
	Standard Rate for Period October 1, 2016 through September 30, 2017			\$ 91	\$ 51	\$ 142
	Standard Rate for Period October 1, 2017 through September 30, 2018			\$ 93	\$ 51	\$ 144
	Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.			\$ 93	\$ 51	\$ 144

Montana

MT	Big Sky / West Yellowstone	October 1	May 31	\$93	\$59	\$152
MT	Big Sky / West Yellowstone	June 1	September 30	\$152	\$59	\$211
MT	Butte			\$94	\$64	\$158
MT	Glendive / Sidney			\$122	\$69	\$191
MT	Helena			\$95	\$64	\$159
MT	Missoula / Polson / Kalispell	October 1	June 30	\$95	\$59	\$154
MT	Missoula / Polson / Kalispell	July 1	August 31	\$140	\$59	\$199
MT	Missoula / Polson / Kalispell	September 1	September 30	\$95	\$59	\$154

North Dakota

ND	Williston			\$94	\$69	\$163
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Nebraska

NE	Omaha			\$109	\$64	\$173
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Oklahoma

OK	Oklahoma City			\$95	\$59	\$154
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STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
	Standard Rate for Period October 1, 2016 through September 30, 2017			\$ 91	\$ 51	\$ 142
	Standard Rate for Period October 1, 2017 through September 30, 2018			\$ 93	\$ 51	\$ 144
	Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.			\$ 93	\$ 51	\$ 144

Oregon

OR	Beaverton			\$136	\$59	\$195
OR	Bend	October 1	May 31	\$112	\$59	\$171
OR	Bend	June 1	August 31	\$151	\$59	\$210
OR	Bend	September 1	September 30	\$112	\$59	\$171
OR	Clackamas			\$123	\$59	\$182
OR	Eugene / Florence			\$118	\$59	\$177
OR	Lincoln City	October 1	June 30	\$99	\$59	\$158
OR	Lincoln City	July 1	August 31	\$131	\$59	\$190
OR	Lincoln City	September 1	September 30	\$99	\$59	\$158
OR	Portland	October 1	October 31	\$182	\$64	\$246
OR	Portland	November 1	February 28	\$149	\$64	\$213
OR	Portland	March 1	September 30	\$182	\$64	\$246
OR	Seaside	October 1	June 30	\$108	\$69	\$177
OR	Seaside	July 1	August 31	\$175	\$69	\$244
OR	Seaside	September 1	September 30	\$108	\$69	\$177

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
Standard Rate for Period October 1, 2016 through September 30, 2017				\$ 91	\$ 51	\$ 142
Standard Rate for Period October 1, 2017 through September 30, 2018				\$ 93	\$ 51	\$ 144
Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.				\$ 93	\$ 51	\$ 144

Nevada

NV	Incline Village / Reno / Sparks	October 1	June 30	\$105	\$64	\$169
NV	Incline Village / Reno / Sparks	July 1	August 31	\$135	\$64	\$199
NV	Incline Village / Reno / Sparks	September 1	September 30	\$105	\$64	\$169
NV	Las Vegas	October 1	December 31	\$106	\$64	\$170
NV	Las Vegas	January 1	March 31	\$134	\$64	\$198
NV	Las Vegas	April 1	September 30	\$106	\$64	\$170

South Dakota

SD	Hot Springs	October 1	October 31	\$98	\$59	\$157
SD	Hot Springs	November 1	May 31	\$93	\$59	\$152
SD	Hot Springs	June 1	August 31	\$133	\$59	\$192
SD	Hot Springs	September 1	September 30	\$98	\$59	\$157
SD	Rapid City	October 1	May 31	\$93	\$59	\$152
SD	Rapid City	June 1	August 31	\$148	\$59	\$207
SD	Rapid City	September 1	September 30	\$93	\$59	\$152
SD	Sturgis / Spearfish	October 1	May 31	\$93	\$59	\$152
SD	Sturgis / Spearfish	June 1	September 30	\$124	\$59	\$183

Utah

UT	Moab	October 1	October 31	\$168	\$64	\$232
UT	Moab	November 1	February 28	\$93	\$64	\$157
UT	Moab	March 1	September 30	\$168	\$64	\$232
UT	Park City	October 1	November 30	\$130	\$74	\$204
UT	Park City	December 1	March 31	\$254	\$74	\$328
UT	Park City	April 1	September 30	\$130	\$74	\$204
UT	Provo			\$100	\$59	\$159
UT	Salt Lake City	October 1	December 31	\$117	\$59	\$176
UT	Salt Lake City	January 1	August 31	\$124	\$59	\$183
UT	Salt Lake City	September 1	September 30	\$117	\$59	\$176

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
Standard Rate for Period October 1, 2016 through September 30, 2017				\$ 91	\$ 51	\$ 142
Standard Rate for Period October 1, 2017 through September 30, 2018				\$ 93	\$ 51	\$ 144
Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.				\$ 93	\$ 51	\$ 144

Washington

WA	Seattle	October 1	May 31	\$179	\$74	\$253
WA	Seattle	June 1	September 30	\$244	\$74	\$318
WA	Spokane			\$102	\$64	\$166
WA	Tacoma			\$117	\$64	\$181
WA	Vancouver	October 1	October 31	\$182	\$64	\$246
WA	Vancouver	November 1	February 28	\$149	\$64	\$213
WA	Vancouver	March 1	September 30	\$182	\$64	\$246

Various

CA	Los Angeles			\$173	\$64	\$237
CA	Sacramento			\$128	\$64	\$192
CA	San Diego	October 1	December 31	\$153	\$64	\$217
CA	San Diego	January 1	July 31	\$167	\$64	\$231
CA	San Diego	August 1	September 30	\$153	\$64	\$217
CA	San Francisco	October 1	October 31	\$302	\$74	\$376
CA	San Francisco	November 1	December 31	\$222	\$74	\$296
CA	San Francisco	January 1	August 31	\$276	\$74	\$350
CA	San Francisco	September 1	September 30	\$302	\$74	\$376
CA	Sunnyvale / Palo Alto / San Jose	October 1	December 31	\$218	\$64	\$282
CA	Sunnyvale / Palo Alto / San Jose	January 1	March 31	\$228	\$64	\$292
CA	Sunnyvale / Palo Alto / San Jose	April 1	September 30	\$218	\$64	\$282

DC	District of Columbia	October 1	October 31	\$250	\$69	\$319
DC	District of Columbia	November 1	February 28	\$201	\$69	\$270
DC	District of Columbia	March 1	June 30	\$253	\$69	\$322
DC	District of Columbia	July 1	August 31	\$175	\$69	\$244
DC	District of Columbia	September 1	September 30	\$250	\$69	\$319

STATE	DESTINATION	SEASON BEGIN	SEASON END	Peak Maximum Lodging Amount	Maximum Meal and Incidentals Amount	Total Maximum Per Diem Rate
Standard Rate for Period October 1, 2016 through September 30, 2017				\$ 91	\$ 51	\$ 142
Standard Rate for Period October 1, 2017 through September 30, 2018				\$ 93	\$ 51	\$ 144
Standard CONUS rate applies to all counties not specifically listed. Cities not listed may be located in a listed county.				\$ 93	\$ 51	\$ 144

Various

IL	Chicago	October 1	November 30	\$226	\$74	\$300
IL	Chicago	December 1	March 31	\$130	\$74	\$204
IL	Chicago	April 1	June 30	\$215	\$74	\$289
IL	Chicago	July 1	August 31	\$193	\$74	\$267
IL	Chicago	September 1	September 30	\$226	\$74	\$300

TX	Austin	October 1	December 31	\$146	\$59	\$205
TX	Austin	January 1	March 31	\$165	\$59	\$224
TX	Austin	April 1	September 30	\$146	\$59	\$205
TX	Dallas	October 1	December 31	\$142	\$64	\$206
TX	Dallas	January 1	June 30	\$155	\$64	\$219
TX	Dallas	July 1	September 30	\$142	\$64	\$206
TX	San Antonio			\$124	\$64	\$188

NY	New York City	October 1	December 31	\$291	\$74	\$365
NY	New York City	January 1	February 28	\$164	\$74	\$238
NY	New York City	March 1	June 30	\$253	\$74	\$327
NY	New York City	July 1	August 31	\$230	\$74	\$304
NY	New York City	September 1	September 30	\$291	\$74	\$365

EXHIBIT 8 - page 6

The per diem lodging rates do not include any taxes; lodging taxes are now reimbursable as separate incidental expenses. Additional seasons have been added for many locations, as shown above, and more than one rate may apply.

High-Low Method:

The IRS has also provided an optional per diem allowance method for lodging, business meals and incidental expenses (MI&E) incurred while traveling away from home based on a high-low method, with annual inflation adjustments. The optional high-low method may not be used by self-employed individuals, or by employees deducting their own expenses. Also, this method may not be used for reimbursement by a related party (using a 10% ownership standard).

Note:

The high-low rates and the individual location rates are typically changed October 1 of each year. A transition period therefore exists generally from October 1 of each year through the last three months of the calendar year, December 31, of each year. During this transition period, you generally may change to the new rates or finish out the year with the rates you have been using. During the transition period you cannot change the per diem method (regular or high-low). Notice 2017-54 increased the per diem rates for the period October 1, 2017 through September 30, 2018.

The combined high-low rate for overnight travel in specified high cost areas is \$284 for travel on or after October 1, 2017 through September 30, 2018 (Notice 2017-54) and \$282 for travel on or after October 1, 2016 through September 30, 2017 (Notice 2016-58).

	High Cost <u>Locality</u> October 1, 2017 through September 30, <u>2018</u>	Low Cost <u>Locality</u> October 1, 2017 through September 30, <u>2018</u>	High Cost <u>Locality</u> October 1, 2016 through September 30, <u>2017</u>	Low Cost <u>Locality</u> October 1, 2016 through September 30, <u>2017</u>
Lodging	\$216	\$134	\$214	\$132
Meals/incidentals	<u>68</u>	<u>57</u>	<u>68</u>	<u>57</u>
Total	<u>\$284</u>	<u>\$191</u>	<u>\$282</u>	<u>\$189</u>

Note:

The high-low rate may not be effective for the entire year in all high cost area locations, check Internal Revenue Service Publication 1542 for detailed effective dates.

Complete Table of Per Diem Rates:

A complete table of per diem rates can be found on the Internet at <https://www.gsa.gov/portal/content/104877>; click on "Per Diem Rate" for links to 1) Continental United States (CONUS) per diem rates, 2) per diem rates for non-foreign areas outside the Continental United States (OCONUS), such as Alaska, Hawaii, Puerto Rico and U.S. possessions, and 3) foreign per diem rates. The Internal Revenue Service also issues Publication 1542 - Per Diem Rates, which contains the above information and can be accessed at www.irs.gov.

For a detail discussion on the tax treatment of a per diem allowance, see Chapter 11 of Internal Revenue Service Publication 535, Business Expenses.

EXHIBIT 9 – REPORTING CASH PAYMENTS OVER \$10,000

Each person engaged in a trade or business who, in the course of that trade or business receives more than \$10,000 in cash and/or certain negotiable instruments in one transaction or in two or more related transactions must file Form 8300 with the Internal Revenue Service by the 15th day after receipt of the payment that causes the aggregate amount to exceed \$10,000 in cash. If the filing date falls on a Saturday, Sunday or legal holiday, file the form on the next business day. Related transactions are any covered transactions conducted between the payer (or its agent) and the recipient in a 24-hour period. Transactions can also be related if conducted over a period more than 24 hours if the recipient knows, or has reason to know, that each transaction is part of a series. A written statement is required to be given to the person or persons listed on a Form 8300 by February 1 of the following year (same due date as 1099 and W-2). The statement needs to contain the name, telephone number and address of the information contact for the business that completed Form 8300 along with the aggregate amount of the reportable transaction and that the information was furnished to the Internal Revenue Service. In addition, Form 8300 may be voluntarily filed for any suspicious transaction even if the amount does not exceed \$10,000.

Covered negotiable instruments include cashier's checks, bank drafts, travelers' checks or money orders of \$10,000 or less where the total of these items and cash exceed \$10,000, or Form 8300 may be filed voluntarily for any transaction where the recipient of cash knows that the instrument is being used in an attempt to avoid reporting the transaction or any suspicious transaction. In addition, U.S. and foreign coin and currency received in any transaction is considered cash and requires reporting. However, cash does not include a check drawn on the payer's own account, such as a personal check, regardless of amount. Clerks of federal or state courts must file Form 8300 if more than \$10,000 in cash is received as bail for an individual(s) charged with certain criminal offenses. Casinos must file Form 8300 for nongaming activities (restaurants, shops, etc.)

Designated transactions are retail sales (or the receipt of funds by a broker or other intermediary in connection with a retail sale) of a consumer durable asset, a collectible, or a travel or entertainment activity.

Consumer durable assets are tangible personal property that, under ordinary use, can reasonably be expected to last at least one year and have a sales price of more than \$10,000. Real estate transactions are not included in the definition of consumer durable assets.

Transactions excluded from the reporting requirements are proceeds received by a financial institution required to file Form 104 by a casino exempt from filing or required to file Form 103, by an agent who receives the cash from a principal, if the agent uses all of the cash within 15 days in a second transaction that is reportable on Form 8300, or Form 104, and discloses all information necessary to complete Part II of Form 8300 or Form 104 as the recipient in a transaction occurring entirely outside the United States, or in a transaction that is not in the course of a person's trade or business.

A copy of the Form 8300 must be retained with the business for five years from the date it was filed.

Where separate payments of cash and certain negotiable instruments are under \$10,000 individually, but are part of one or more related transactions which together would total more than \$10,000, the filing of Form 8300 is required. The Form 8300 must be filed within 15 days of the payment which caused the aggregate to be over \$10,000. Also excluded from reporting are casinos required to file Form 103, Currency Transaction Report by Casinos or an agent who receives the cash from a principal if the agent is required to file Form 8300; however, casinos must file Form 8300 for nongaming activities including restaurants and shops.

EXHIBIT 9 – page 2

Information which needs to be reported about the person who made a cash payment of over \$10,000 include:

1. First name, middle initial and last name
2. Taxpayer identification number (penalties for an incorrect or missing TIN can be assessed)
3. Complete address
4. Occupation, profession, or business
5. Date of birth
6. Method used to verify the identification of the customer (driver's license, credit card, passport, etc.)
7. If the transaction was being conducted on behalf of someone else, the above information will also be needed for the person benefiting from the transaction
8. A description of the transaction

For individuals, the taxpayer identification number is the person's social security number even if they have an employer identification number as a sole proprietor business. In the case of corporations, partnerships and other entities, the taxpayer identification number is their employer identification number. For certain nonresident aliens who are not eligible to get a social security number, the taxpayer identification number is the individual taxpayer identification number issued to them by the Internal Revenue Service.

Penalties for non-compliance of these reporting rules are up to 5 years imprisonment and fines up to \$250,000 (\$500,000 for corporations). A minimum penalty of \$25,000 may be imposed if the failure to file a correct Form 8300 is due to an intentional or willful disregard of the cash reporting requirements.

IRS Publication 1544 contains more information on the reporting of cash payments over \$10,000.

Form 8300 is filed with:

Internal Revenue Service
Detroit Computing Center
P. O. Box 32621
Detroit, MI 48232

EXHIBIT 10 - ELECTRONIC FILING REQUIREMENTS FOR PAYROLL AND INFORMATION RETURNS WHEN OVER 250 DOCUMENTS

Electronic filing is required when 250 or more information returns are filed. However, the 250 or more requirement applies separately to each type of form. For example, if filing 500 Forms 1098 and 100 Forms 1099-A, file Forms 1098 electronically, but Forms 1099-A are not required electronically.

The electronic filing requirement does not apply if an application is made and a hardship waiver is received. To receive a waiver from the required filing of information returns electronically, submit Form 8508, request for waiver from filing information returns electronically, at least 45 days before the due date of the returns. Only a waiver request for the current year can be processed. Reapply at the appropriate time each year for a current year waiver.

If a waiver for filing the information returns is approved, any corrections for the same types of information returns will be covered under the waiver. However, if corrections are submitted on paper, a waiver must be approved for the corrections if filing 250 or more corrections.

If required to file electronically, but fail to do so, without an approved waiver, subject to a penalty of \$50 per return for failure to file electronically unless reasonable cause is established. However, up to 250 returns can be filed on paper and those returns will not be subject to a penalty for failure to file electronically. File Form 8508 with: Internal Revenue Service, Attn: Extension of Time Coordinator, 240 Murall Drive Mail Stop 4360, Kearneysville, WV, 25430.

HOW TO GET APPROVAL TO FILE ELECTRONICALLY

File Form 4419, Application for Filing Information Returns at least 30 days before the due date of the returns. File Form 4419 for all types of returns that will be filed electronically (except for W-2 information sent to the Social Security Administration explained below). Once electronic filing is approved there is no need to reapply each year. The IRS will provide a written reply to the applicant and further instructions at the time of approval, usually within 30 days. An additional Form 4419 is required for filing each of the following types of returns: Form 1042-S, Form 8027 and Form 8955-SSA.

FILING ELECTRONICALLY – Form W-2

Electronic reporting specifications for Form W-2 are in the SSA's EFW2 (formerly MMREF-1), a publication that can be downloaded by accessing SSA's W-2 filing instructions and information website at www.socialsecurity.gov/employer and selecting "E-Filing Format". Electronic specifications can also be received by calling SSA's Employer Reporting Branch at 1-800-772-6270.

Reporting instructions for electronic filing differ in a few situations from paper reporting instructions, check the instructions for details. For example, electronic files may enter more than four items in box 12 in one individual's wage report, but paper filers are limited to four entries in box 12 on Copy A of each Form W-2. Furnish copies B, C, and 2 of Form W-2 to employees, by January 31, 2018. The "furnish" requirement is met if the W-2 is properly addressed and mailed on or before January 31, 2018. If employment ends before December 31, 2017, furnish copies to the employee at any time after employment ends, but no later than January 31, 2018.

Beginning with the 2016 tax year, if you file using paper forms, you must file Copy A of Form W-2 with Form W-3 by January 31, 2018. If you e-file, the due date is January 31, 2018. You may owe a penalty for each Form W-2 that you file late.

In addition, the automatic extension of time that was formerly available for filing Form W-2 with the Social Security Administration (SSA) has now changed. To get an extension, due on or after January 1, 2018, a Form

EXHIBIT 10, page 2

8809 (Application for Extension of Time to File Information Returns) must be filed to request an extension. The application isn't automatic and will need to include a detailed explanation as to why the extension is needed, and it will be signed under penalty of perjury. The IRS will only grant an extension to file Form W-2 for one 30-day period. No additional extensions will be issued.

According to the IRS, extensions will only be granted in extraordinary circumstances or catastrophe. And, the extension to file with the SSA does not change the time for furnishing a Form W-2 to an employee. See Exhibit 1(a) for more information.

Also, see Internal Revenue Service Publication 1220 for additional information concerning electronically filed information returns.

**EXHIBIT 11 – INSTRUCTIONS FOR FILING PAYROLL
AND INFORMATION RETURNS (PAPER FILINGS)**

The following information and guidelines may be helpful in preparing payroll and information returns.

Taxpayers meeting the rules for filing information returns (1099s, 1096s, W-2s, W-3s) on paper forms, must prepare them in accordance with the following instructions:

1. Type in all data using black ink in 12-point Courier font.
2. Do not cut or separate top form (Copy A).
3. No photocopies or carbon copies of any forms are allowed to be mailed to IRS.
4. Do not staple, tear, fold or tape any of the forms.
5. Do not change the title of any box on the form.
6. Do not insert data in the untitled shaded areas.
7. Do not submit any copy other than Copy A to IRS and state copy to the appropriate state. If no state copy is available, photocopies of Copy A are usually accepted for state tax purposes.
8. Print money amounts without dollar signs or commas. Use decimal points to indicate cents.
9. Do not enter 0 (zero) or none. If no entry is required, leave blank.
10. Do not use script type inverted font italics, or dual case alpha characters.
11. It is important that entries in the boxes do not cross one or more of the vertical or horizontal lines that separate the boxes.

It is recommended that the form instructions for all information returns be reviewed annually as a reminder of the detailed information and changes being made for the current year.

If 250 or more information returns are to be filed, electronic filing is required (see Exhibit 10). Note - the 250 or more requirement applies to each type of form and is not a cumulative total of all form types together. Forms 941, 943 and 940 may be handwritten or typed. Instructions 4, 5 and 6 above also apply to these forms. Be sure to sign these returns. Not following the above requirements could result in these forms being returned to you by the IRS for proper completion.

To request additional time to submit Form 1099, file Form 8809 by the due date of the returns for a 30-day extension.

Copy A of Form W-2 and Form W-3 are due to the Social Security Administration by February 28, 2018. Forms 1098, 1099 or W2-G must also be filed by this date, but if you file electronically, the due date is extended to April 2, 2018. Arizona State copies of Form W-2 and Form A-1R are due by February 28, 2018. North Dakota State copies of Form W-2 and Form 307 are due to the state of North Dakota by February 28, 2018. Minnesota State Form MW-6 is due to the state of Minnesota by February 28, 2018. This information must be submitted electronically either by internet or phone. The Minnesota state copies of Form W-2 are due to the State of Minnesota by February 28, 2018. Iowa State Form VSP is due to the state of Iowa by February 28, 2018. Montana State copies of Form W-2 and Form W-3 are due to the State of Montana by February 28, 2018. Idaho state copies of Form W-2 are due February 28, 2018, and Form 967, which replaced Form 956, is due to the State of Idaho by February 28, 2018. Oklahoma State copies of Form W-2 and Form 501 are due to the State of Oklahoma by February 28, 2018; however, Oklahoma accepts Federal Form W-2. Utah state copies of Form W-2 are due February 28, 2018 and Form TC-941R is due to the state of Utah by February 28, 2018.

In all states, the recipient's copy of the W-2 is due to the recipient by January 31, 2018.

All 1099s are due to the federal and state governments by February 28, 2018 unless extended or filed electronically. The recipient's copy is due to the recipient by January 31, 2018, unless otherwise provided (see Exhibit 1)

EXHIBIT 11 – page 2

FILE FEDERAL COPY W-2 WITH:

Regular Mail:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

If sending certified:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0002

Using Approved Private Delivery Service:

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Dr.
Wilkes-Barre, PA 18702-7997

Approved Private Delivery Services:

Use certain private delivery services designated by the IRS to meet the “timely mailing as timely filing” rule for information returns. The list includes only the following (effective October 1, 2017).

- Federal Express (FedEx): FedEx First Overnight, FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2 Day, FedEx International Next Flight Out, FedEx International Priority, FedEx International First, and FedEx International Economy.
- United Parcel Service (UPS): UPS Next Day Air Early AM, UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.
- DHL Express: DHL Express 9:00, DHL Express 10:30, DHL Express 12:00, DHL Express Worldwide, DHL Express Envelope, DHL Import Express 10:30, DHL Import Express 12:00, and DHL Import Express Worldwide.

The private delivery service can tell you how to get written proof of the mailing date. Private delivery services cannot deliver to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

EXHIBIT 11 – page 3

Federal 1096, 1099s Copy A:

Legal Residence or principal place of business,
outside U.S.
Austin, TX 73301

FILE FEDERAL COPY WITH

Department of the Treasury
Internal Revenue Service Center

Federal 1096, 1099s Copy A:

Alabama, Arizona, Arkansas, Connecticut,
Delaware, Florida, Georgia, Kentucky, Louisiana,
Maine, Massachusetts, Mississippi, New Hampshire,
New Jersey, New Mexico, New York,
North Carolina, Ohio, Pennsylvania, Rhode Island,
Texas, Vermont, Virginia and West Virginia

FILE FEDERAL COPY WITH

Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301

Alaska, California, Colorado, District of Columbia,
Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas,
Maryland, Michigan, Minnesota, Missouri, Montana,
Nebraska, Nevada, North Dakota, Oklahoma,
Oregon, South Carolina, South Dakota, Tennessee,
Utah, Washington, Wisconsin and Wyoming

Department of the Treasury
Internal Revenue Service Center
Kansas City, MO 64999

**EXHIBIT 12 – DUES PAID TO SOCIAL ASSOCIATIONS
AND CLUBS OR FOR LOBBYING ACTIVITIES**

Dues paid to business associations and civic organizations are deductible as long as they are not organized for mainly pleasure, entertainment, or social purposes. Dues paid to social clubs, golf and athletic clubs, sporting clubs, airline clubs, hotel clubs, business luncheon clubs and country clubs are not deductible. However, this disallowance does not extend to professional organizations (e.g., bar and accounting associations or public service organizations (e.g., Kiwanis and Rotary Clubs). If the employer includes the cost of the dues in the employee's compensation on Form W-2, then a deduction for the expense may be taken. When considering whether or not to treat the reimbursement of dues as compensation, the additional cost of social security, Medicare and unemployment taxes should be considered.

A portion of dues paid to tax-exempt organizations may be disallowed if the association is engaged in lobbying activities. This amount is usually indicated on the dues receipt as a percent of the total dues paid. For example, if the receipt stated that 3% of the dues were not deductible due to lobbying activities and the total dues were \$600, then \$18 of the dues would be nondeductible for income tax purposes.

EXHIBIT 13 – ENERGY SUBSIDY PAYMENTS

A taxpayer customer may exclude any subsidy paid by a "public utility" for the purchase of an energy conservation measure for a dwelling unit. The exclusion applies to subsidies provided directly or indirectly to the customer. For instance, if a utility pays a contractor to install an energy conservation measure at the customer's residence at a reduced price, the exclusion applies to the customer. The definition of a dwelling unit for this purpose includes a house, apartment, condominium, mobile home, houseboat, or any property which is an integral part of a dwelling unit. A dwelling unit does not include the portion of a unit that is used exclusively as a hotel, motel, inn, or similar establishment. See Internal Revenue Code Sec. 136.

Energy conservation measures include any installation or modification primarily designed to reduce consumption of electricity or natural gas or to improve the management of energy demands. Energy conservation measures include, among other things, recuperators, heat wheels, regenerators, heat exchangers, waste heat boilers, heat pipes, automatic energy control systems, turbulators and preheaters.

The term "public utility" applies to regulated public utilities, governmental run utilities and rural electric cooperatives that are engaged in the sale of electricity or natural gas to residential, commercial, or industrial consumers. The income exemption does not include payments to or from qualified cogeneration facility or qualified small power production facility pursuant to Section 210 of the Public Utility Regulatory Policy Act of 1978.

The tax basis of property is reduced by the benefit of subsidies excluded from income because of these provisions.

The exclusion will generally not apply to government incentives for individual taxpayers who install alternative energy systems at their residence. However, a conservation grant, which is dependent on the taxpayer's income, may be excluded under the general welfare exclusion.

It is anticipated, that payments made directly to customers who are entitled to exclude the full amount of their subsidy payments, will be excluded from Form 1099 reporting.

If the subsidy is a taxable grant administered by a federal, state or local program, a Form 1099-G should be prepared if the amount involved is greater than \$600.

Effective November 12, 2010 the IRS will not challenge a corporation's treatment of a grant to the corporation from the Department of Energy under the Electric Drive Battery and Component Manufacturing Initiative. This IRS position does not apply to non-corporate taxpayers.

EXHIBIT 14 – TAXATION AND REPORTING OF CAPITAL CREDITS
FROM ELECTRIC AND TELEPHONE COOPERATIVES

Each year, the patrons of tax-exempt telephone and electric cooperatives receive a notice of the patronage credits earned during the previous year. Capital credits received from tax-exempt telephone and electric cooperatives have the effect of reducing the cost of the service provided. Under current tax law, no part of the capital credit allocated to the patron is subject to taxation until actually paid in money.

The IRS has stated the reporting of capital credit payments of \$600 or more in any calendar year to a non-incorporated patron are to be reported in box 3 of Form 1099-MISC. If 250 or more Forms 1099-MISC are filed, please see our Exhibit 10 on ELECTRONIC FILING REQUIREMENTS.

When a patron receives cash for his allocated credit, the patron is only subject to taxation to the extent that the payment for the service was deducted on the income tax return for the year the credit was allocated. For example, a farmer claiming 75% business use of his utility cost in year X would have to include 75% of the cash payment for the capital credit received for year X. The non-business portion is not subject to taxation.

Whenever a 1099 is required, the taxpayer identification number should be obtained before payment is made to avoid the 28% backup withholding requirement. The following is a letter, which we recommend you mail prior to mailing capital credit checks for \$600 or more to unincorporated entities:

We are pleased to advise you that we are in the process of distributing capital credits to you for prior patronage with our cooperative.

As your payment is over \$599, the IRS requires us to obtain the social security number and the correct name and address of the person we make the payment to. Where the payment is made to a partnership, estate or trust, a federal identification number and correct name and address needs to be obtained. We ask that you indicate in the space below your social security number (or, if applicable, your employer identification number) along with the name and address to be used for our check to you.

When issuing the 1099 for capital credits, we recommend that you include the following message:

The IRS requires us to send you the enclosed 1099, as our payments to you of capital credits were \$600 or more. The IRS assesses very significant penalties for not complying with this 1099 reporting requirement.

While we are required to report this payment to you on a 1099, the taxability or non-taxability of this payment is an item to be discussed with your tax return preparer.

The IRS issued a private letter ruling to a cooperative saying that it did not have to file Forms 1099 for old capital credits that they were retiring. While this is a glimmer of light, we urge caution. The private letter ruling can only be relied on by the cooperative which received the private letter ruling. While we do not have a copy of the information the cooperative sent to the IRS, the private letter ruling itself has several interesting items in it which IRS uses to rationalize its decision for this particular cooperative. The private letter ruling dwells on:

1. Most of the customers were residential owners versus businesses or farms.
2. The payments were from 22 to 25 years ago. No list of customers with verified addresses is available. Even if such a list were available, it would be unduly burdensome to the taxpayer to require such reporting under Section 6041(a) in view of the practical impossibilities encountered.

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The private letter ruling did not say that 1099s were not required to be filed for capital credits in general. The 1991 private letter ruling limited itself to granting an exception to that particular cooperative based on its particular facts. Subsequent to this private letter ruling, IRS issued PLR 9224007 which states that payments of capital credits by a rural telephone cooperative are to be reported in box 3 of Form 1099 MISC. We recommend that Form 1099-MISC be issued for capital credit payments of \$600 or more.

Any person, including corporations, partnerships, employers, estates and trusts, who file 250 or more Information Returns of any one of the following Forms 1042-S, 1098, 1099, 5498, 8027 and W-2 G are required to file these information returns electronically.

EXHIBIT 15 – FORM 1099-A ACQUISITION OR ABANDONMENT OF SECURED PROPERTY

Form 1099-A applies for each borrower if you lend money in connection with your trade or business and, in full or partial satisfaction of the debt, you acquire an interest in property that is security for the debt, or you have reason to know that the property has been abandoned. You need not be in the business of lending money to be subject to this reporting requirement.

An abandonment occurs when the facts and circumstances indicate that the borrower intended to and has permanently discarded the property from their use. An entity has reason to know of an abandonment based on all the facts and circumstances concerning the status of the property. The reporting requirement is **the earliest of:** 1) the date an interest was obtained in the property; 2) the date a third party purchased the property at a sale of the property; or 3) three months after the date there was knowledge of the abandonment.

If, in the same calendar year, you cancel a debt in connection with a foreclosure or abandonment of secured property, it is not necessary to file both Form 1099-A and Form 1099-C for the same debtor. You may file Form 1099-C only and meet Form 1099-A filing requirements by completing boxes 4, 5 and 7 on Form 1099-C. However, if you file both Forms 1099-A and 1099-C, do not complete boxes 4, 5, and 7 on Form 1099-C.

Form 1099-A is required when any ownership interest is acquired in property or property is abandoned, which had been pledged as security on a loan. There are obvious situations where the Form 1099-A should be used such as when a commercial building is turned over to the lender. There are, however, many financial transactions which are not as obvious. The following questions and answers attempt to address some of those situations and give a more clear understanding of Form 1099-A filing requirements.

Question: What property is covered by the reporting requirements?

Answer: The reporting requirements apply to any real property (such as personal residence), any intangible property and other property, **other than** tangible personal property used for personal use such as household furniture, personal automobiles, etc. If property, such as a vehicle, is used partially for business or investment and partially for personal use, a Form 1099-A is required. All real estate is covered by the reporting requirements, including personal residences. However, if the property securing the loan is located outside the United States and the borrower furnishes a legal statement, under penalties of perjury, that the borrower is an exempt foreign person, no reporting is required unless the lender knows the statement is false.

Question: What triggers the reporting requirements?

Answer: Obtaining an ownership interest in secured property or the abandonment of secured property by the borrower triggers the reporting requirements. Additionally, transfers of secured property to third parties at a foreclosure, execution or similar sale must be reported. If the lender expects to commence a foreclosure, execution or similar sale within three months of the date the lender had reason to know that the property was abandoned, the reporting is required when the lender or a third party obtains an interest in the property; but in no case, more than three months from when the lender has reasonable knowledge that the property was abandoned.

Question: When is an ownership interest acquired in property?

Answer: An ownership interest is acquired when possession or title is transferred to the lender. If there is a redemption period in which the borrower can redeem the property, an ownership interest is not acquired until the end of the redemption period.

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Question: Is reporting required for write-off of bad debts on the lender's books even though no lender ownership interest or debtor abandonment of the property has occurred?

Answer: No.

Question: What about transfers to third parties of secured property at a foreclosure, execution, or similar sale?

Answer: If, 1) a third party acquires secured property at a foreclosure, execution or similar sale and if any of the proceeds from the purchase is used to reduce or eliminate the outstanding loans or if, 2) the acquisition terminates, reduces, or otherwise impairs the lenders security interest in the property, the transaction is subject to the reporting requirements. Although the question is not answered directly, it appears liquidation sales, even if not an actual foreclosure sale may be subject to the reporting requirements. Non-forced sale of property where the buyer assumes an existing debt is excluded from the reporting requirements.

Question: What are the rules regarding property disposed of where the debt secures multiple assets?

Answer: The law requires reporting whenever an ownership interest in any secured property (except personal use tangible property) is obtained in full or partial satisfaction of any indebtedness. Accordingly, if part, but not all, of the collateral on a loan is turned over to the lender, it is subject to the reporting requirements. Also, liquidation sales of part, even though not all, of the security on a loan appears to be subject to the reporting requirements. By the same token, periodic sales of secured property where the sales proceeds are forwarded to the lender in the normal course of the borrower's business would not be subject to the reporting requirements.

Question: What are the rules if one lender forecloses, then sells property and the foreclosed property had secured several debts owed to different entities?

Answer: Each of the creditors must file a Form 1099-A.

Question: Are workout loans subject to the reporting requirements where a reduced interest rate is granted the borrower?

Answer: No, unless the lender actually obtained an ownership interest in the property or there was a liquidation sale associated with the workout loan.

Question: If a loan is partially written off on the books of the lender in one year and an event happens in a subsequent year triggering the reporting requirements, what should be reported as the amount of debt outstanding?

Answer: The amount reportable as debt outstanding would be the full amount of the loan before considering prior write-offs by the lender. Accrued interest is not reported.

Question: How should the date be entered on the Form 1099-A?

Answer: The date should be entered MMDDYY.

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Question: Is the amount of outstanding debt to be reported just the unpaid principal or does it include principal plus accrued interest?

Answer: The amount which should be reported is the loan principal only.

Question: If in doubt, should a Form 1099-A be issued?

Answer: Yes.

Question: Must I file electronically?

Answer: Any person, including corporations, partnerships, employers, estates and trusts, who file 250 or more Information Returns of any one of the following Forms 1042-S, 1098, 1099, 5498, 8027, and W-2G are required to file these information returns electronically.

EXHIBIT 16 – 1099-C CANCELLATION DEBT

A Form 1099-C is required to be filed by federal government agencies, financial institutions described in section 581 or 591(a) (such as a domestic bank, trust company, building and loan or savings and loan association) and their subsidiaries, as well as any organizations with a significant trade or business of lending money (includes finance companies, credit union, credit card companies, whether or not affiliated with financial institutions), when there has been a cancellation or discharge of debt of \$600 or more, including corporate debtors. The issuer of a Form 1099-C is not responsible for determining the taxability or non-taxability of the cancellation or discharge of debt.

Each discharge stands on its own regarding the \$600 filing requirement unless the separate cancellations or discharges are part of a plan to evade the \$600 filing requirement. Where Form 1099-A and Form 1099-C are both filed, the Form 1099-C is to be filed with boxes 4, 5, and 7 not completed. When a Form 1099-A is required, box 5 is to include both a description of the debt and a description of the property. For the \$600 rule, discharged debt is the total amount owed including principal, interest, penalties, administrative costs, and fines.

A cancellation or discharge of a debt occurs on the date an identifiable event occurs; when the facts indicate that the debt will never have to be paid by the debtor. Triggering events include:

- 1) A discharge in bankruptcy under Title 11 of the United States Code for business or investment debt.
- 2) A cancellation or extinguishment of an indebtedness that renders a debt unenforceable in a receivership, foreclosure, or similar proceeding in a federal or state court as described in Section 368(a)(3)(A)(ii)
- 3) A cancellation or extinguishment of an indebtedness upon the expiration of the statute of limitations for collection of an indebtedness, subject to the limitations of Reg 1.6050P-1(b)(2)(ii), or upon the expiration of a statutory period for filing a claim or commencing a deficiency judgment proceeding
- 4) A cancellation or extinguishment of an indebtedness pursuant to an election of foreclosure remedies by a creditor that statutorily extinguishes or bars the creditor's right to pursue collection of the indebtedness
- 5) A cancellation or extinguishment of an indebtedness that renders a debt unenforceable pursuant to a probate or similar proceeding
- 6) A discharge of indebtedness pursuant to an agreement between the creditor and a debtor to discharge indebtedness at less than full consideration
- 7) A discharge of indebtedness pursuant to a decision by the creditor, or the application of a defined policy of the creditor, to discontinue collection activity and discharge debt
- 8) The expiration of the non-payment testing period.

You are not required to report on Form 1099-C the following:

- 1) Certain Bankruptcies. You are not required to report a debt discharged unless you know from information included in your books and records that the debt was incurred for business or investment purposes.
- 2) Interest
- 3) Non - principal amounts such as penalties, fines, fees, and administrative costs.
- 4) Foreign debtors.
- 5) Related parties.
- 6) Release of a debtor.
- 7) Guarantor or surety.
- 8) Seller financing.

While not a definitive filing event, the end of collection activity of part of the debt by the financial institution is one of the facts taken into account in determining if there has been a partial discharge. A book entry, such as charging a debt off on the books, does not by itself signify a cancellation or discharge. Book entries are, however, one of the factors to be considered in determining if a cancellation or discharge has occurred. For Form 1099-Cs issued where the debt has not been legally discharged, we recommend enclosing the following statement:

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“This Form 1099-C is being sent to you as required by the Internal Revenue Service. This is NOT an acknowledgement by us that the debt has been canceled. The debt continues to be an obligation payable to us for the balance owing on the promissory note dated _____ in the original amount of _____.”

For debts of \$10,000 or more, incurred after 1994 that involve multiple debtors, who are joint and severally liable for their debt, a Form 1099-C, reporting the entire debt cancellation is required for each debtor. Where the debtors are not jointly and severally liable on the debt, Form 1099-C is required for each debtor with debt cancellation of \$600 or more.

If a Form 1099-C is required to be filed, a copy of the Form 1099-C must be retained for 4 years from the filing due date of the Form 1099-C.

Reasonable efforts must be made to obtain the TIN of the debtor. If the TIN is requested after the discharge, the request must clearly notify the debtor that the IRS requires the debtor to furnish their TIN and failure to do so, subjects them to a \$50 penalty by IRS.

The date in box 1 of Form 1099-C should be entered as MMDDYY. Only the principal is reported in box 2. The reporting of unpaid interest in box 2 is optional. The amount of interest discharged is entered in box 3 only if it was included in box 2.

Descriptions such as student loan, credit card expenditures or mortgage are entered in box 5. If the financial institution knows that the debt was discharged in bankruptcy, box 6 is marked.

Any person, including corporations, partnerships, employers, estates and trusts, who file 250 or more Information Returns of any one of the following Forms 1042-S, 1098, 1099, 5498, 8027, and W-2G are required to file these information returns electronically.

Safe Harbor Rules Under Regulations 1.6050P-2(b)

Under IRS Regulation 1.6050P-2(b) the following safe harbor rules apply regarding not having to issue for 1099-C

1. No prior year reporting required

An organization will not be considered to be in the business of lending money if it's gross income from lending in the most recent test year (see item 3 below) is less than both 15% of the organization's gross income and \$5 million.

2. Prior year reporting requirement

An organization that had a prior year reporting requirement will not have a significant business of lending money for the current year if, for each of the three most recent test years its gross income from lending money is less than 10% of the organization's gross income and \$3 million.

3. No test year

Newly formed organizations are considered not to have a significant business of lending money even if the organization lends money on a regular and continuing basis. However, this safe harbor does not apply to an entity formed for the principal purpose of holding loans acquired or originated by another entity. In this

EXHIBIT 16 – page 3

case, the transferee (including REMICS and pass-through securitized indebtedness arrangements) may be required to report cancellation of indebtedness on Form 1099-C. A test year is defined as a taxable year of the organization that ends before July 1 of the previous calendar year.

**EXHIBIT 17 – FORM 1098-E STUDENT LOAN INTEREST REPORTING and
FORM 1098-T TUITION REPORTING**

Student Loan Interest: Form 1098-E

Financial institutions, governmental units (or subsidiary agencies), educational institutions or any other person who receives student loan interest is required to report interest received of \$600 or more on student loans utilizing Form 1098-E. To be reportable for 2017, a student loan must be either:

1. Subsidized, guaranteed, financed, or otherwise treated as a student loan under a program of the Federal, state, or local government, or of a post-secondary educational institution, or
2. Certified by the borrower as a student loan incurred solely to pay qualified higher education expenses. You may use Form W-9S, Request for Student's or Borrower's Social Security Number and Certification, to obtain the information to be used when filing.

If you are required to file Form 1098-E you must provide a statement, or acceptable substitute, on paper or electronically to the borrower in a form designated in part M of the 2016 General Instructions for Certain Information Returns.

Interest on a revolving credit account is to be reported only if the borrower certifies that all of the loan proceeds are used EXCLUSIVELY to pay qualified higher education expenses. Do not report interest on mixed use loans.

Student Tuition Received: Form 1098-T

An Eligible Educational Institution is a college, university, vocational school, or other postsecondary educational institution that is described in Section 481 of the Higher Education Act of 1965, and that is eligible to participate in the Department of Education's student aid programs. Eligible Educational Institutions are required to report tuition received from an enrolled student unless the tuition is received for:

1. Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program;
2. Non-resident alien students, unless requested by the student;
3. Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships or grants; and
4. Students whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer or a governmental entity, such as the Department of Veterans affairs or the Department of Defense.

Eligible educational institutions must report:

1. Payments received, or amounts billed, for qualified tuition and related expenses. The institution must use the same reporting method for all calendar years unless the IRS grants permission to change the reporting method.
2. Only qualified tuition and academic fees are reportable. Exclude amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills; and
3. Exclude charges and fees for room, board, insurance, transportation, and other personal expenses.

Any person including corporations, partnerships, employers, estates and trusts, educational institutions who file 250 or more Information Returns of any one of the following Forms 1042-S, 1098, 1099, 5498, 8027, and W-2G are required to file these information returns electronically.

**EXHIBIT 18 – PUBLIC INSPECTION OF TAX EXEMPT ORGANIZATION
FILINGS, FORMS 990, 990-T, 1023 ETC. AND IRS SANCTIONS REGARDING
TRANSACTIONS WITH CERTAIN PERSONS (INSIDERS)**

Organizations which are exempt from tax under IRC Section 501(c) or 501(d), any Section 4947(a)(1) nonexempt charitable trust, any nonexempt private foundation that is subject to reporting requirements of Section 6033 and political organizations exempt under IRC Section 527 are required to have certain documents available at certain business locations for inspection by the public or face daily penalties for non-compliance. Documents required to be available for public inspection, pursuant to IRC Section 6104, include:

1. The application (such as Form 1023 or Form 1024) for tax exempt status along with all related attachments and correspondence relating to the tax exempt application, if the organization submitted its application to the IRS after July 15, 1987. For organizations that submitted applications before July 15, 1987, that had a copy in their possession on July 15, 1987, the public inspection requirements still apply.
2. Copies of Form 990 Exempt Organization, including contributor information on Schedule B, return filed with the Internal Revenue Service for a period of three years after the date the returns are filed. The names and addresses of contributors to public charities do not have to be disclosed provided the organization is not a private foundation or a political organization exempt from taxation under Code Sec. 527. Also federal form 1120 POL does not have to be disclosed. The 2006 Pension Act requires Form 990-T must be made available for inspection by the public for returns filed after August 18, 2006.

Some regional or district offices having three or more full-time equivalent employees must make these documents available for public inspection as well as at the organization's principal office. Reg. 301.6104(d) requires organizations to provide copies without charge (other than reasonable fees for reproduction or postage.)

Reg §301.6104(d)-2(b)(2), provides that an organization is not required to comply with a request for copies of the application for exemption or the annual information return if they have made the information *widely* available on the World Wide Web. This does not preclude the need to follow the requirements associated with public inspection. The application or returns would be considered widely available only if

1. Any individual with access to the internet can access, download and print without special software, hardware, and without paying a fee;
2. The World Wide Web page clearly instructs users which forms are available and how to download the information; and
3. When printed, the information is identical to the hard copy on display at the organization's office.

Significant penalties can be assessed for not complying with these rules. A penalty of \$20 per day, up to \$10,000, can be assessed per return for not complying with these rules.

EXEMPT ORGANIZATION SANCTIONS

In 1996, IRS obtained an additional enforcement tool, known as "intermediate sanctions." These sanctions punish certain key people associated with 501(c)(3) and 501(c)(4) organizations where IRS believes they received an unreasonable benefit from the exempt organization. Under these provisions, organization managers who knowingly approve unreasonable transactions can be assessed personal fines. Before the law change, IRS's only weapon was to revoke an entity's tax-exempt status. These rules apply to organizations exempt under IRC Sections 501(c)(3) and 501(c)(4).

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Intermediate sanction penalties are imposed on individuals in a position to exercise substantial influence on the affairs of a nonprofit organization (identified in IRS regulations as a "disqualified person"). They apply when a disqualified person engages in an excess benefit transaction with a tax-exempt organization. Disqualified persons include board members and certain officers, and others able to exert substantial influence. Family members of and certain businesses owned by disqualified persons are also considered disqualified persons. A disqualified person can also include any person that was in a position to exercise substantial influence over the organization at any time during the five years before an excess benefit transaction. Penalties also apply to managers who consent to the excess benefit transaction.

A disqualified person who benefits from an excess benefit transaction is subject to a first-tier penalty. The first-tier penalty is equal to 25% of the excess benefit. A second-tier penalty, equal to 200% of the amount of the excess benefit, can be imposed if the prohibited transaction continues uncorrected. Organization managers who knowingly, willingly and without reasonable cause participate in an excess benefit transaction are subject to an excise tax of 10% of the excess benefit, up to a maximum penalty of \$20,000 on each transaction.

An excess benefit transaction occurs when an exempt organization provides a benefit directly or indirectly to or for the use of a disqualified person that exceeds the value of the consideration, including services, received in exchange.

The application of these rules is highly dependent on concepts of "value" and "reasonableness" since excess benefit is determined based on economic values exchanged. Different parties can have different opinions regarding value, which can complicate enforcement of these rules. However, the intermediate sanctions rules include requirements which can be met to establish a "rebuttable presumption of reasonableness". If these requirements are met, the burden of proving that the transaction was not reasonable is shifted to the IRS.

Exempt organizations must meet three requirements to establish the rebuttable presumption of reasonableness:

1. The transaction must be approved in advance by an **independent board** that is composed of persons who do not have a conflict of interest with respect to the arrangement.
2. The board members approving the transaction must obtain and rely on **comparable data** in making the determination to approve the transaction, and
3. The board members approving the transaction must **contemporaneously document** the decision made and the basis for the determination made including:
 - a. The terms of the arrangement and the date approved
 - b. Members present for the discussion and those who voted on it
 - c. Comparable data and information on how it was obtained
 - d. Any actions taken by members that had a conflict of interest (e.g. abstained from discussion and vote
 - e. Basis for determining value if the group determines that the actual value is different than what the comparable data indicates

The documentation should be prepared within 60 days after the final actions of the group are taken or before the next meeting of the group, whichever is later. The group should review and approve the documentation within a reasonable time after it is prepared.

It is not always possible to meet all of these requirements. In situations where all the requirements cannot be met, the organization should comply with as many of the requirements as possible. This will at least demonstrate good faith efforts to comply with the rules.

EXHIBIT 18 – page 3

In situations where a benefit is provided in return for services rendered by a disqualified person, the IRS requires that there be written contemporaneous evidence of the intent to treat the benefit as provided in exchange for services. This evidence can be in the form of tax return reporting (e.g. Forms 990, 1099, W-2, 1040) or other written documents including an employment contract. IRS may treat benefits that are not properly documented as “automatic excess benefits” regardless of whether the benefits were reasonable. As such, care should be taken in reporting all transactions involving a disqualified person.

EXHIBIT 19 – CREDIT CARD SALES

Payment settlement entities (such as Visa, MasterCard and PayPal) are required to report payments made to merchants for goods and services in settlement of payment card and third-party network payment transactions. The calendar year 2017 information returns (1099-K) must be filed with the IRS by February 28, 2018 and furnished to merchants by January 31, 2018.

A de minimis exception to reporting applies if the aggregate value of the third-party network payment transactions by the merchant does not exceed \$20,000 and if the aggregate number of transactions does not exceed 200 in the calendar year.

Notice 2011-88 applies backup withholding to payments made after December 31, 2012. Beginning in 2013, persons who have not furnished their taxpayer identification number to the payer are required to have their payments subject to backup withholding if the payee has received payment from a third-party settlement organization in more than 200 transactions within a calendar year.

For more information on Form 1099-K go to www.irs.gov/form1099k.

EXHIBIT 20 – PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS

Code Section 6045(g) provides that starting with calendar year 2011, that every broker is required to file a return (Form 1099-B) showing the gross proceeds from the sale of a “covered security” and must also report the customer’s adjusted basis in each covered security and also indicate whether any resulting gain or loss related with the security is long-term or short-term.

The definition of “covered security” includes all stock acquired beginning in 2011, excluding stock in a regulated investment company (RIC or mutual fund) for which the average basis is available and stock acquired through a dividend reinvestment plan (DRP). These excluded stocks will be covered securities if acquired in 2012. For any other specified security, the applicable date is January 1, 2013. The reporting rules related to options transactions apply only to options granted or acquired on or after January 1, 2013 as provided in sec. 6045(h)(3).

A broker must report a customer’s adjusted basis: (1) for any security (other than RIC stock or DRP stock) using the first-in, first-out (FIFO) basis determination method unless the customer notifies the broker of the specific stock to be sold or transferred by making an adequate identification of the stock sold or transferred at the time of sale or transfer; or, (2) for RIC stock or DRP stock in accordance with the broker’s default method under Sec. 1012 unless the customer notifies the broker that the customer elects another permitted method.

Unless the Secretary provides otherwise, a customer’s adjusted basis in a covered security generally is determined for reporting purposes without taking into account the effect on basis of the wash sale rules of Sec. 1091 unless the purchase and sale transactions resulting in a wash sale occur in the same account and are in identical securities (rather than substantially identical securities as required by Sec. 1091.)

In the case of a short sale, gross proceeds and basis reporting under Sec. 6045 generally is required for the year in which the short sale is closed.

Sec. 6045A provides that a broker and any other person specified in Treasury regulations that transfers a covered security to a broker must furnish to the broker, taking custody of the security, a written statement that allows the receiving broker to satisfy the basis reporting requirements of Sec. 6045(g). Unless the Secretary provides otherwise, the statement required by this rule must be furnished to the receiving broker not later than fifteen days after the transfer of the covered security.

An amendment to Sec 6045(b) extends the due date from February 1 to February 15 for furnishing certain information statements to customers, effective for statements required to be furnished after December 31, 2008. Section 6045(g) provides that the statements to which the new February 15 due date applies are statements required under Sec. 6045 and statement with respect to other reportable items that are furnished with these statements in a consolidated reporting statement.

EXHIBIT 21 – HEALTH CARE VALUE REPORTING

The Affordable Care Act of 2010 added a requirement to report the value of employer-sponsored group health plans on employees' Forms W-2. The reporting requirement applied for the first time to Forms W-2 that employers filed in 2013 unless the employer met the small employer exception.

Until further guidance is issued, the small employer exception provides that if an employer filed fewer than 250 2016 Forms W-2, the employer is not subject to the reporting requirement for 2017 Forms W-2.

The interim guidance in IRS Notice 2012-9 contains valuable information for application of rules related to reporting the cost of employer-sponsored group health coverage. For example, the interim guidance provides the reporting is not required for an individual that would otherwise not receive a Form W-2, such as a person only receiving health care benefits. Another example of items contained in the interim guidance, is that the cost of employer-sponsored group health coverage reported includes both employer and employee portions. The interim guidance also makes specific comments that nothing contained in the guidance causes, or will cause, excludable employer-provided health coverage to become taxable.

The IRS has established a website for Frequent Asked Questions related to Employer-Provided Health Coverage which can be accessed at <http://www.irs.gov/uac/Employer-Provided-Health-Coverage-Informational-Reporting-Requirements:-Questions-and-Answers>.

EXHIBIT 22 – HEALTH CARE COVERAGE REPORTING

The IRS announced that they will be extending the 2018 due date for employers and providers to distribute 2017 individual health coverage forms. The original due date for insurers, applicable employers and other such coverage providers to issue these forms was Jan. 31, 2018. However, the IRS has now given a 30-day extension, making **March 2, 2018**, the new due date to provide Forms 1095-B or 1095-C to individuals.

Note: This newly announced extension is automatic, meaning employers and providers do not have to file a request. Also, this extension only covers the issuance of health coverage forms 1095-B and/or 1095-C that are due to employees and/or recipients. The due dates for filing 2017 information returns with the IRS—forms 1094-B and 1094-C—still remain the same: Feb. 28 for paper filing, and April 2 for e-filing.

The health care reporting requirement went into effect beginning with the 2015 tax year. The following forms are used to report the health insurance coverage.

Form 1094-C is the transmittal form that Applicable Large Employers (ALE) will use to report offers and enrollment of health care coverage for their employees. An ALE is an employer with 50 or more full-time equivalent employees. Separate 1094-C forms may be filed for separate divisions of a business. However, the business must file one 1094-C form that aggregates the businesses 1094-C forms. This aggregated 1094-C form must be denoted as the authoritative transmittal form by checking the box in Part II. Also in Part II of this form, the business will need to certify the eligibility of the coverage it is offering or whether transition relief applies.

Form 1095-C is the informational form that an ALE will need to file for each full-time employee. This form will be used for determining an employee's eligibility for the premium tax credit. If an employer offers a self-funded plan, it will need to fill out Part III of Form 1095-C for each employee enrolled in the health plan regardless if that individual is full-time or part-time. Part III of the form requires all covered individuals be listed. Employers may truncate the social security numbers on the copy of this form provided to the employee. Note that on the 1095-C Form furnished to the IRS, social security numbers may not be truncated. If social security numbers aren't available for covered individuals, an employer may report them by their date of birth. A copy of this form will need to be given to each employee by March 2, 2018. Another copy of each of the 1095-C forms for employees will need to be submitted to the IRS along with the transmittal Form 1094-C by February 28, 2018 if paper filed, or April 2, 2018, if e-filed. An ALE is required to e-file if they meet the 250 information return threshold.

Form 1094-B is the transmittal form for **Form 1095-B**. These two forms are required for individuals/businesses that offer minimum essential coverage to individuals. However, employers that offer a self-insured plan must report their information on Form 1094-C and 1095-C instead of 1094-B or 1095-B unless they are not subject to the employer shared responsibility penalty. The due date is February 28, 2018; if filing electronically, the due date is April 2, 2018.

Form 1095-A will be filed by the Health Insurance Marketplace, known as the Exchange. This form will be sent to both the individual enrolled in the Marketplace and to the IRS. Unlike Form 1095-B and Form 1095-C, the Form 1095-A due date was not extended by the IRS; therefore the due date for sending this form to individuals and to the IRS is January 31, 2018. It will allow the individuals to have the ability to claim the premium tax credit as well as "true-up" any advance payments of the credit they had received. This "true-up" will be done on the individual's federal income tax return.

EXHIBIT 23 – FORM 1099 REPORTING FOR RENTAL PROPERTIES

Whether to file Forms 1099-MISC for rental activity is a subjective determination. The instructions for Form 1099-MISC state that payments of \$600 or more for services performed for a trade or business are required to be reported on Form 1099-MISC. The instructions also list exceptions to this filing requirement, which do not include rental properties. The instructions for Schedule E, Supplemental Income and Loss (used to report rental real estate), include a paragraph that states you MUST file Form 1099-MISC if you paid at least \$600 in rents, services, prizes, medical and health care payments, and other income payments. The question of whether payments made related to rental properties (for example, to an electrician) are required to be reported on Form 1099-MISC is unclear and seem to be based on whether the rental rises to the definition of a trade or business.

If the rental activity of a taxpayer constitutes a trade or business, then Forms 1099-MISC should be issued for payments of \$600 or more for services performed related to the rental. Examples of a rental activity possibly qualifying as a trade or business would be one taxpayer with multiple rental activities, the activity of a real estate professional, or if the rental activity is owned by a pass-through entity. This determination has other implications outside of filing Forms 1099-MISC, as it may impact passive loss determinations or net investment income taxes.

In a situation where a taxpayer has one small rental or a property manager handling the expenses, the argument can be made not to file Forms 1099-MISC. However, the penalty for failure to file Forms 1099-MISC have recently increased to a maximum of \$260 per form, which could also impact the decision to file as the law is unclear.

If you have any questions about your rental activities, please consult your trusted business advisor.