From the desk of
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IRS Has Major Error in Calculating Certain Capital Gains Taxes

This past tax season was a horror for those working within the tax industry due in part to the major tax legislation that was passed late in December of 2017 for which the IRS provided little, and that late, or incorrect guidance leaving tax professionals who were at a loss in how to handle some of the more complex issues relating to the Tax Cuts and Jobs Act (TCJA).

The Internal Revenue Service this past week notified tax software providers and professionals that the tax rates imbedded within the capital gains tax calculations were wrong in regards to calculating the proper tax to be applied.

**The IRS announced that the tax calculations are incorrect as it relates to the new regular tax rates, and incorrectly applied the tax at a maximum rate of 25% or 28% depending upon the circumstances.**

It appears that none of the tax software providers caught the error, and processed all returns submitted prior to May 15, 2019 incorrectly.

Most taxpayers will not be affected as those who file Schedule D do not have amounts on line 18 which contains capital gain taxed at the 28% rate, or line 19, where unrecaptured Sec. 1250 gain is reported.

Those taxpayers would check “Yes” on line 20, which directs them to complete the Qualified Dividends and Capital Gain Tax Worksheet, and would not use the Schedule D Tax Worksheet to figure their regular tax.

The IRS has stated that they will fix the problem internally for anyone who filed a tax return that is incorrect due to the wrong tax rates being applied, and not to file an amendment fixing the problem.

**We will not process, not submit any tax returns to the IRS until this matter is sorted out.**
We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.

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