

**From the desk of  
Peter S. Muffoletto, C.P.A.**

## **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.**

**Should you have questions relating to any tax or financial matters call at  
(818) 346-2160,  
or you can visit us on the web at  
[www.petemcpa.com!](http://www.petemcpa.com)**

**Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.**

IMPORTANT NOTICE

The contents of this email and any attachments to it may contain privileged and confidential information from Muffoletto & Company.

This information is only for the viewing or use of the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or use of, or the taking of any action in reliance upon, the information contained in this e-mail, or any of the attachments to this e-mail, is strictly prohibited and that this e-mail and all of the attachments to this e-mail, if any, must be immediately returned to Muffoletto & Company or destroyed and, in either case, this e-mail and all attachments to this e-mail must be immediately deleted from your computer without making any copies hereof.

If you have received this e-mail in error, please notify Muffoletto & Company by e-mail immediately.

To ensure compliance with Treasury Department regulations, we wish to inform you that, unless expressly stated otherwise in this communication (including any attachments) any tax advice that may be contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

**If you prefer not to remain on our email lists, please let us know. We will remove you as soon as you notify us.**

**You may do so by emailing us at  
[pete@petemcpa.com](mailto:pete@petemcpa.com)**