

ADVANCE RELEASE Documents, IR-2018-16, Internal Revenue Service, (Jan. 31, 2018)

Tax News, Journals and Newsletters > Federal Tax > ADVANCE RELEASE Documents > IR-2018-16, Internal Revenue Service, (Jan. 31, 2018)

IR- 2018-16

Alaska Native Corporations: Alaska Native Settlement Trusts: Contributions: Assignment of payments

Tax Issues for Alaska Native American Corporations and Alaska Native Settlement Trusts

IR-2018-16, Jan. 30, 2018

Washington — The Internal Revenue Service today reminds Alaska Native Corporations and Alaska Native Settlement Trusts that they may be able to take advantage of certain benefits in the recently enacted tax reform legislation. The new law also requires that certain contributions made by Native Corporations to Settlement Trusts in 2017 be reported to the Settlement Trusts by January 31, 2018.

Assignment of Payments to a Settlement Trust

The new law allows a Native Corporation to assign certain payments to a Settlement Trust without treating the payments as income for federal tax purposes.

The assignments must be in writing and the Native Corporations must not have received the payments prior to the assignment to the trust. The Settlement Trust must include the payments in its gross income in the taxable year received, for taxable years beginning in 2017.

If a Native Corporation assigns payments to a Settlement Trust, they are not allowed to deduct those same payments.

Deduction for Contributions by a Native Corporation to a Settlement Trust

Native Corporations may also choose to deduct contributions made to a Settlement Trust. The deduction is limited to the amount of the Native Corporation's taxable income for that year. Any unused deduction may be carried forward 15 additional years.

A Native Corporation makes the election to deduct contributions to a Settlement Trust for a specific taxable year by including a statement with its original or amended income tax return. The election is effective only for the taxable year for which the return is filed. Additionally, the election may be revoked on a timely filed amendment or supplement to that income tax return.

A Native Corporation may make this election for any taxable year for which the statute of limitations period has not expired. If the refund statute of limitations period expires before December 22, 2018, the Native Corporation has until December 21, 2018 to make a claim for credit or refund.

Reporting Requirements for Electing Native Corporations

Native Corporations that choose to deduct contributions made to a Settlement Trust are under a new reporting requirement. They must furnish a statement to the Settlement Trust providing information about the contributed property by January 31 of the year after the contribution was made.

The statement must include:

- the total amount of contributions to which the election applies,
- for each contribution, whether the contribution was in cash,

- for each contribution of other than cash, the date the contributed property was acquired by the Native Corporation, the adjusted tax basis and fair market value of the property at the time of its contribution; and
- the date of each contribution.

Deferral of Income Recognition by Settlement Trusts

Generally, the Settlement Trust must include income equal to the deduction by the Native Corporation. However, under the new law, Settlement Trusts may choose to defer recognizing contributions of property other than cash as income until the Settlement Trust sells or disposes of the property. The new law allows a Settlement Trust to amend the terms of its agreement to allow this choice up to December 21, 2018, with certain restrictions.

To defer recognition of income related to any property contributed to it by a Native Corporation, the Settlement Trust must identify and describe the property on a statement attached to its original or amended income tax return for the year in which the contribution was made.

A Settlement Trust may make this election for any taxable year for which the statute of limitations period has not expired. If the refund statute of limitations period expires before December 22, 2018, the Settlement Trust has until December 21, 2018 to make a claim for credit or refund.

ADVANCE RELEASE Documents, IRS Tax Tip 2018-15—IRS Encourages Native Americans to Check Eligibility for Earned Income Tax Credit, (Jan. 31, 2018)

Tax News, Journals and Newsletters > Federal Tax > ADVANCE RELEASE Documents > IRS Tax Tip 2018-15—IRS Encourages Native Americans to Check Eligibility for Earned Income Tax Credit, (Jan. 31, 2018)

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Internal Revenue Service: Tax tip: Eligibility: Tribal communities: American Indian communities
IRS Tax Tips

January 30, 2018

Issue Number: IRS Tax Tip 2018-15

Inside This Issue

IRS Encourages Native Americans to Check Eligibility for Earned Income Tax Credit

The IRS urges Native American taxpayers to check if they qualify for the earned income tax credit since many workers in Tribal communities often overlook this credit.

EITC benefits Native Americans who meet basic rules. Taxpayers must have income from a job, be self-employed, or run their own business. This includes home-based businesses and work in the service industry, construction and farming.

Income Limits and Maximum Credit Amounts

For tax year 2017, the income limits for all taxpayers' *earned income* and adjusted gross income must each be less than:

Filing Status	Qualifying Children Claimed			
	Zero	One	Two	Three or More
Single	\$15,010	\$39,617	\$45,007	\$48,340
Head of Household	\$15,010	\$39,617	\$45,007	\$48,340
Qualifying Widow(er) with Dependent Child	\$15,010	\$39,617	\$45,007	\$48,340
Married Filing Jointly	\$20,600	\$45,207	\$50,957	\$53,930

The maximum credit for Tax Year 2017 is:

- \$6,318 with three or more qualifying children
- \$5,616 with two qualifying children
- \$3,400 with one qualifying child
- \$510 with no qualifying children

By law, the IRS cannot issue refunds before mid-February for tax returns that claim the EITC or the additional child tax credit. The law requires the IRS to hold the entire refund — even the portion not associated with the EITC or ACTC. The IRS expects the earliest EITC/ACTC related refunds to be available in taxpayer bank accounts or on debit cards starting Feb. 27, 2018, if these taxpayers choose direct deposit and there are no other issues with their tax return.

More Information:

- *Filing for Individuals*

- *EITC Assistant*

Share this tip on social media — #IRSTaxTip: IRS Encourages Native Americans to Check Eligibility for Earned Income Tax Credit. <http://go.usa.gov/xnGPm>