

January 7, 2016  
2016-003

**United States – Filing Season Start and Deadline; Relief for ID Theft Prevention**

by KPMG LLP's Washington National Tax practice, Washington, D.C. (KPMG LLP in the United States is a KPMG International member firm)

## flash Alert

A Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice

The U.S. Internal Revenue Service (IRS) issued several announcements prior to the start of the new year regarding the upcoming tax filing season that will impact individuals – including those on international assignment – and their multinational employers.

In an online posting, the IRS announced that the U.S. tax season will start as scheduled on Tuesday, January 19, 2016.<sup>1</sup> Also, the IRS announced that the filing deadline to submit 2015 tax returns is Monday, April 18, 2016.

In addition to the tax season announcements, the IRS recently announced the tax relief for identity protection services has been extended to employees or other individuals receiving identity protection service benefits *prior* to the event of a data breach.<sup>2</sup>

### Why This Matters

In years past, the IRS has had to delay the start of the tax filing season due to passage late in the year of tax legislation by Congress. Despite the December 18, 2015 passage of tax extenders legislation in the *Consolidated Appropriations Act, 2016*<sup>3</sup>, which retroactively extended and/or made permanent a variety of deductions or exclusions for individual taxpayers, taxpayers may submit their returns from January 19, 2016, according to the previously announced schedule.

Taxpayers should note that the deadline for submitting federal tax returns is April 18 this year, a Monday, and not April 15, which is a Friday, due to that Friday being a holiday – Emancipation Day – in the District of Columbia.<sup>4</sup>

Individuals receiving identity protections services from their employers *prior* to the occurrence of a data breach will get some relief on their taxes since the new IRS guidance clarifies that the value of such services, even services provided *prior* to the event of a data breach, are not taxable income to the individual. Moreover, employers are not required to include the value of such services as employee wages.

### In 2016, Tax Filing Deadline is April 18 (or April 19), Not April 15

As discussed previously in [Flash Alert 2015-065](#) (May 22, 2015), the filing deadline to submit 2015 federal tax returns is Monday, April 18, 2016, rather than the traditional April 15 date. Washington, D.C. will celebrate Emancipation Day on that Friday, which pushes the deadline to the following Monday (April 18) for most of the nation. (Due to Patriots Day, the deadline will be Tuesday, April 19, in Maine and Massachusetts.)

Most, but not all, states also extend the state tax return filing deadline when Emancipation Day creates a federal holiday on what would normally be the filing deadline for state forms and tax payments.

### Extended Tax Relief for ID Protection Services

In response to the IRS' request for comments in Announcement 2015-22<sup>5</sup>, previously discussed in [Flash Alert 2015-103](#), many of those contributing comments asked the IRS to clarify the tax treatment of identity protection services provided to employees or other individuals *before* a data breach occurs. In their requests, several contributors specified that in response to the overall increase of data breaches, many organizations are attempting to prevent data breaches by providing identity protection services to their employees prior to a data breach. An increasing number of organizations believe providing preemptive identity protection services will help detect the occurrence of a data breach in their information systems. Thus, the contributors requested the IRS clarify the taxability of providing identity theft protection services to employees or other individuals *before* the occurrence of a data breach.

On December 30, 2015, the IRS released an advanced copy of Announcement 2016-02 in response to the comments received. After a review of the comments, the Treasury Department and the IRS determined that Announcement 2015-22 should be extended to include identity protection services provided to employees or other individuals *before* a data breach occurs.

Announcement 2016-02 states that the IRS will not assert that an individual must include in gross income the value of identity protection services provided by the individual's employer or by another organization to which the individual provided personally identifiable information. Further, the IRS will not assert that an employer providing identity protection services to its employees must include the value of the identity protection services in the employee's gross income and wages. Nor will the IRS assert that these amounts must be reported on an informational return.

It should be noted that the recent Announcement does not apply to cash proceeds received in lieu of identity protection services; nor does it apply to proceeds received under an identity theft insurance policy.

#### Footnotes:

- 1 "2016 Tax Season Opens Jan. 19 for Nation's Taxpayers," IR-2015-139 (December 21, 2015) (<https://www.irs.gov/uac/Newsroom/2016-Tax-Season-Opens-Jan-19-for-Nations-Taxpayers>).
- 2 See Announcement 2016-02 at <https://www.irs.gov/pub/irs-drop/a-16-02.pdf>. Announcement 2016-02 will be published in *Internal Revenue Bulletin* 2016-3, dated January 19, 2016.
- 3 For prior coverage, see GMS [Flash Alert 2015-152](#) (December 23, 2015).
- 4 For prior coverage and more details, see GMS [Flash Alert 2015-065](#) (May 22, 2015).
- 5 For prior coverage, see GMS [Flash Alert 2015-103](#) (August 25, 2015).

\* \* \* \*

## 2016 KPMG Global Tax Technology Catalyst

27 January 2016

### Hilton Amsterdam, Apolloloaan 138, Amsterdam, the Netherlands

Catalyst is a day-long launch event that will showcase new technology capabilities that can give tax and finance leaders an edge in managing regulatory change, streamlining processes and seizing the value of data. The day consists of short, innovative stage presentations from KPMG tax technology leaders and external MNC business leaders, complemented by hands-on innovation labs, where clients can experiment with the latest tools. Join us!

For more information, go to: <https://www.globaltaxevent.com/2016globaltaxtechnologycatalyst/>

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

The information contained in this newsletter was submitted by the KPMG International member firm in the United States.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.