



THOMAS H. BILLETER

Certified Public Accountant

Thomas H. Billeter, CPA
Newsletter – Summer 2013

630.377.4635
527 Illinois Ave, Saint Charles, IL 60174

The - you most likely will never see another summer newsletter again

The one good piece of news is the first of my three newsletters probably won't get any later. What used to be a summer, fall and winter newsletter schedule has now turned into October, November, and December. I don't know about you but my summer just seems to get busier and busier. Anyway as most of you noticed if you e-filed last year and about 40% of you did-you did not get a paper copy of your tax return. We are now sending out digital copies via e-mail. Since the IRS is going more and more to paperless filing they are also letting us do the same and we are. It has been about 3 years since we have made paper copies for ourselves of your return. All of that is stored in an offsite storage unit and our need for more filing cabinets has been eliminated. If you don't e-file and want your copy delivered this way just let me know and I will send it to you that way. We do suggest you put it on a flash drive and put it in a safe place but this should be more convenient for both of us. Also we currently password protect it with your SS# but I can protect it with any password. You just need to give it to me during the appointment. We do retain your source documentation. You can pick that up anytime or just wait until the next year when you come for that tax appointment to get it. It is not going anywhere. Also we are still spending time at our Illinois west (Galena) office. Both our phones and computers are connected out there. That is why when you get a callback from us you may see an 815 area code. It is working out well for us but we want to be sure it is also working out well for you. The one drawback is we are not in our St. Charles office physically. To be honest we are normally out of that office quite a bit when summer rolls around but since we can get our work done without having to be there we are there less. So please give us your feedback on that so we can make adjustments if we need to.

Now for the newsletter stuff

I am sure at some point I have explained how I get the material for my newsletters but I am going to do it again because this newsletter is the clearest result of my method. I spend between my programs and all the research tools and information sources about 10k per year. I have to. It is the only way I can keep up. My newsletters are pulled from most recent events in the tax world thru these sources. I will also admit-this is an excellent way for me to go thru all of those mountains of information too. While these newsletters will have some tax advice and IRS blunders that we love so much to make fun of there is one item that is dominating current events. That is the Supreme Court decision on Windsor which struck down the key clause of the Defense of Marriage Act (DOMA). Now I am well aware this is a highly emotional issue. I know the emotions are very extreme on both sides so I will keep my humor to a minimum but this is a landmark decision and will affect a lot so here goes.

DOMA down

On September 15, 2013 the Supreme Court ruled on Windsor that section 3 which defines marriage as a “legal union between one man and one woman as husband and wife” as unconstitutional deprivation of equal protection. This was actually decided in June but September was the effective date. Ever since then the IRS has been scrambling with legalities as it relates to the tax code. A same sex couple that was legally married in any jurisdiction that recognized those marriages are married for tax purposes regardless where they live now. Illinois has had a very poor version of this in the revenue laws (would you expect anything less than a poor version from Madigan and Co) it allowed same sex couples to file joint but they had to file two separate returns allocating their income on each return. Sounds like a single return to me. Anyway this will all change. However if you want my professional opinion and you know you will get it- beware of ANYTHING our government gives you. Now same-sex spouses MUST file married jointly or separately after 9/16/13. In case you haven't read my old newsletter which are available online- if you are a two wage earning household our tax laws are set up so it is cheaper to divorce and live together then to stay married and file jointly. In fact there was a case about 30 years ago where an attorney (what else) divorced every year in December so he and his wife could file single and then remarried in January. IRS caught them and called this all a sham and the IRS forced them to re-file as joint and did they owe a boat load of taxes. One potential tax saving move is if you fit the requirements and are not a two wage earning household you can amend your already-filed 2012, 2011, and 2010 return. As a one wage earning household this should get you mucho dinero back. This could become even better if you had health coverage or other cafeteria plans taxed on your W-2 because the coverage was for a same sex spouse. Since the IRS rules allow coverage of spouses as tax free, the tax you paid on this can also be refunded to you. Again amended returns need to be filed and the statute of limitations for 2010 is coming up fast. By the way-marriage as now defined by the IRS, does not include registered domestic partnership or civil unions It must be a marriage and I believe the list of states that recognize this now are CA, CT, DE, IA, ME, MD, MA, MN, NH, NY, WI, UT, WA, and DC and also community property states have no impact this definition.

Identity theft is not a funny movie

The IRS is getting more and more aware of the problem with identity theft. I have had clients that have had their identities stolen and something really needs to be done about this. Anyway in the past I have told you, your return information is public knowledge. Well now the IRS will only give information in statistical formats and no taxpayer will be identified. Good idea just 10 years too late.

Tax Tips 2013 Redux

I am going to go over some tax saving tips for the end of 2013. Yes you have heard some of these before but like good wine it is worth repeating. Maybe that wasn't the best analogy. Charity- there are 2 gold mines here. The first instead of contributing cash to your charity-contribute highly appreciated items like stock to the charity. You get the full value of the property as a current deduction and you don't pay any capital gains when you do it and with Obama care now putting an additional tax on capital gains-you avoid that tax. Also if your over 70 ½ and have to take out a minimum distributions for an IRA consider a direct distribution to a charity. It does not count as a charitable deduction but it does count for your RMD (required minimum distribution) and it is not included as income. This is also set to expire at the end of the year. Also if you missed an estimated payment or two don't panic you can increase your withholding between now and the end of the year to cover the missed payments. Withholding are considered paid all year long so this is a good way to beat the system.

And for our business the very generous tax break for putting large assets into service may well end at 12/31/13. This may be the last year for the 50% bonus depreciation-the 500k for complete write off. This is scheduled to go down to 25k in 2014. If congress doesn't act (oh yea this is the same congress that doesn't act to keep itself going –silly me) this and the write off for qualified real and restaurant property will all be a thing of the past. I have to laugh-the reason given by the government for not extending any of these is our “expanding and strengthen economy”. Maybe they should stay shut down.

MUST BE OUR HIGH QUALITY MANAGEMENT

Our deficit for the 11 months ending for fiscal year 2013 was only 750 billion (did you ever think you would see only and 750,000,000,000 in the same sentence?) That is 400 billion less then last year at this time. This could be the first year under you know who, we haven't talked about a yearly deficit in the trillions. By the way receipts for the government were 2.47 trillion which means we spent 3.22 trillion. I have to start applying this theory to my finances and see where it gets me.

Identity theft 2 a bad sequel

Along with improved IRS efforts to keep your identity a secret you also need to beware. I have received several e-mails from clients about the IRS contacting them. Many are coming thru phony e-mails websites and even phone calls. NEVER give out your info regardless if you are threaten with an audit or promised a refund. The IRS doesn't work that way and all you are going to do is give someone your identity which most likely will end up bad for you. Call me because let's face it- if you get a call from the IRS and you are threatened- your day just got bad. The IRS makes a decision to audit you or not audit you long before they ever contact you. And as far as refunds- if we don't ask for it and make sure we are in 100% compliance with everything in the law that has to do with the refund- the IRS is not going to give you the time of day let alone call you so they can give you money.

And speaking of that

Last year it was estimated the IRS paid out 19.2 billion in refunds on returns that were filed fraudulently. And where did those new breed of con artist get their info. Look at the above section.

And lest not forget the other fun news:

I don't know about you but I feel much better now after reading what our congress has found out. Rep. Sanders Levin a democrat from Michigan has released a report that shows progressive groups receive the same scrutiny as conservative groups when applying for tax exempt status. He says the Treasury Inspector General left out “critical information that skewed the findings. He also blamed the republicans for twisting the facts. And can you guess where Rep. Levin got his information? Yep- the IRS itself the very agency that was accused of bias. I guess we no longer need our court system. If a criminal is caught doing something all we have to do is let the accused explain what happen and then it will be all better.

Any finally-Say it aint so

And in the final betrayal of the Americans by a foreign government, the Cayman Islands have agreed to exchange tax info with the IRS. No longer can you go there on a cruise and set up accounts to make sure you have enough funds when you visit this island paradise. Because there is no way anybody would put money down there to hide it from the IRS right? Well now you can forget that noise. Great now we have to close our accounts and put it back in the mattress. With interest rates these days I am not losing much. Do you have any idea of how many jokes have to be changed now!

See you all next month for edition 2 of the 2013 newsletter!

Tom & Dorothy