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I normally start out with a joke as to why I have waited this long to do my first newsletter. Many of you know for us 2014 had absolutely no laughter or joke. I also have had so many of our clients who told me either they or someone very close to them had been diagnosed with cancer or have had some other very serious health issue. I would always respond in what I thought was a caring way (because as my clients I do care) but it's now very clear to me I was responding in a very ignorant way. When Dorothy got her diagnosis on February 7th our world, like all of your worlds when all of you told me about that "c" word, changed forever. For those of you that don't know, Dorothy went thru her surgery during tax season and radiation just after tax season ended. While that is hopefully all behind us and so far it looks good, the word cancer, while hers being a treatable cancer carries with it a difficult recovery process. Since her thyroid is gone the replacement medication has to be exact. If it is not, normal is non-existent and the process to get it right is a very long. So when people ask me how she is doing I say she has good days and bad. On her good days she almost has the same energy and drive she had before. On the bad days she has trouble getting out of bed. The last 2 weeks I have seen some really good days then followed by some really bad. A very good friend of mine who had cancer told me it is all a journey where you can't let the highs get you too excited or the lows get you too depressed. We are still and will be for a while on that journey as I now understand the many of our clients that have told me about their collision with the "c" word are on. I want to thank all of you that have been praying for and sending my wife all the well wishes. It does help. As one of the ways I have changed when I hear a client has found out they have cancer is to answer as positive as I can. I am not being flippant at all but I now do understand a positive attitude is one of the strongest medicines to fight this disease. I also want to thank Dorothy's sisters (Hannah and Lori) that helped out at the office during her surgery and recovery. I couldn't have done it without them.

Finally, another Thank You for all of your patience. No, things did not go so smooth. Returns did not get out as fast as in past years. Dorothy's experience in tax season really can't be replaced but so many of you were so very understanding and we really appreciate that and want you to know how much. One final note and then I will get to the rest of the newsletter. Our prayers go out to the many clients that have told me about health issues facing you and your family. I have been doing this for 30 years and I don't think I have ever heard of more deaths and really bad illness's hitting so many people. My dad passed away in May while Dorothy was going thru all of this, 2014 has not been a good year. So the summer newsletter not coming out till October-it just is not as important as it once was to get it out sooner. Anyway here is the first batch of stuff.

### **Quick hurry hang up the phone**

The IRS is trying to address two very large problems. The first is phone scams. I will tell you the IRS will NEVER call without first sending some sort of correspondence. And those letters are normally multiple notices so if you never got a notice-red flag #1. Also every demand for payout has to contain a complete explanation along with all appeal rights. If you get an angry or threatening call red flag #2. If you are asked to pay by credit or debit card over the phone really big red flag #3. And finally red flag #4-they will threaten to bring in local police to have you arrested. REALLY. Do you think the IRS is going to ask police to help them? Police that have to follow the rules of our constitution and have not the Gestapo power the IRS currently and most likely always will enjoy this power Please, these scams are in a very sharp rise and the reason is they are working. The IRS estimated about 5 million \$\$ have been scammed and those are only the cases that were reported. The real number is most likely multiples of that. The IRS really can't prevent this but if you do get a call hang up and report it to the IRS's website IRS.GOV in the phishing section. One of my clients got a call from the legal dept. of the US Treasury. Problem with that is they are called Criminal Investigation and if you ever see their gold badges you invoke you're right to remain silent. You want to see people with too much power these people are it. Anyway we called this one back (blocked the # of course) and told him he actually contacted the NSA and we were stopping by. I think that really ruined his day. Anyway be very careful here and oh yes call me first before you do anything. After all that is why I am here.

### **Big problem #2 the sequel**

This has been in previous newsletters but it is again increasing the occurrence and deserves another mention. Identity theft on just tax refunds alone is estimated to be 5.2 billion this year alone. What one of the more lucrative ways of those thieves are working this to steal your SS# then file a return usually electronically with a made up W-2. Of course since you can't process two returns for the same year when you go to file your return it gets rejected. The IRS is considering to do more matching of data on a return before a refund is issued, But the problem here is the quick refunds you like when you e-file are delayed. But what may be actually be the much more needed cure for this is the house has introduced a bill to address this and one of the strongest point is the conviction for this would bring up 20 years in jail. I have been told it is carrying a max of 18 months. If I was of this mindset I could justify 18 months in jail for 5.2 billion. I tell my clients this all the time-never give out your SS#. Yes I have to have it and banks do need it along with others that have to issue 1099's but nobody else really needs it and if you have an FEIN use that instead.

### **And you thought a blockbuster was good**

The other major wave of 2014 is the next phase of affordable care act is going into place.

This is the year the over 50 full time employer-employee's filing requirement goes into place. Since that does not affect anybody I am writing to I will move on. However this reporting which many have already started is a new key to your tax return BECAUSE this is the year the minimum essential coverage (MEC) is required or you get to pay more tax (remember what the supreme court said-this is a tax with your return) I am sitting here and trying to count but I think this is the 8th new tax over the last 2 years. I think when we get to the toilet paper tax I am moving to Canada. Anyway you now need this proof from your insurance company or employer or you too will be part of the happy millions to pay the new tax.

### **Another that should be repeated**

I have had many people ask me about getting money out of their 401k and many times I will suggest looking into if you can take a loan out. A loan is not considered a distribution so therefore you pay no tax on it but there is a warning-at any time before the loan is paid off you terminate employment the loan is due in full. If you don't pay it off it will then be considered a distribution and unless one of the exceptions applies, you will also be subject to the 10% penalty. This is also true even if you roll the rest of what you might have in the 401k into an IRA. And a second word of caution here-if you have tax withheld that will also be considered a distribution subject to tax and penalty unless you take the amount withheld for tax from another non-retirement investment and put that into a IRA. Yep they got you coming and going.

### **And you thought it could only get worse in the second term**

For the second year now the federal deficit will stay below 1 trillion. You see-if you're re-elected and can't go any further you don't have to spend billions you don't have on programs for people who will vote for you. Or were those bribes? I don't remember. Anyway not only has the current president figured out how to beat global warming but he also decreased the IRS's budget by 7%. Proof positive there is good in everyone. Now where do you think the IRS is making cuts? Well in keeping the tradition of our state politicians to ALWAYS say the cuts will go to education, their cuts ARE going to be made in the call centers. So instead of waiting 45 minutes for any answer you might need, now will have to wait 4 hours assuming the shift doesn't end. If IRS commissioner Koskinen- cares I have some real good suggestions if where those cuts can be made.

### **Coming to a close**

Because of the long introduction and I know Dorothy wants to add something at the end of the newsletter, I am going to finish up quickly. One item is required minimum distribution or RMD's. For those of you that have been with me a while I find me both of us are aging. I can honestly say for me I am surprised I have aged as well as I have but for those of you that have reached 70 ½ (no I am not there yet) must start RMD from their retirement plans. Now on the first year you have an option of taking the RMD in the year you turn 70 ½ or waiting until the following year before April 1st to begin. Now if you wait you still have to take the second distribution in the same year but tax savings can be had here. I get a few calls on this but not nearly enough.

### **And finally . . .**

I can't go into the details because it was a very lengthy court decision and I only write about it because in my 30 years I don't think I have ever heard of a court case like this. A district court found that the IRS and its agents improperly disclosed return information against lonely poor little taxpayers. I had to take a second look because the courts never side with us little people But wait, I read further. The defendant was none other than a son of a US congressman. You see it truly is who you know not what. Any more questions on why the IRS had their budget cut by 7%?

### **Dorothy gets the final word**

Yes I am going to finish the newsletter. Something I have never done so I get to have this checked off my bucket list! Every day I am amazed by something whether it is very tiny or amazingly huge. These last 7 ½ months have been amazingly huge for me and that is because of all of you. I cannot thank you enough for all of the prayers, cards, phone calls and well wishes. It truly blows me away to think others are thinking of you and wishing the best. It really helped me get thru this rough patch and I thank you. Things are getting better every day and soon will be back to normal (whatever normal means anymore) but with all the kindness that has been shown to Tom and I, how can things not get better. So as Tom often tells me:

“You are braver than you believe, and stronger than you seem, and smarter than you think.”

- Christopher Robin to Winnie the Pooh

Tom & Dorothy