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Newsletter – Winter 2015

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Winter 2015 Newsletter

This could be one of the shortest newsletters I ever wrote. The reason is in my 31 years of doing this I don't think I have ever seen a year that has had so little change in tax laws. There also has even been a shortage of really significant tax cases that in other years have caused us to do some sort of rerouting of how taxes are handled when we prepared the returns. There is one change you all are going to see and that is this year-you will need one of the 3 1095's to prove you have health insurance coverage. Without the 1095 you will be subject to the penalty so when you get it either from your employer, insurance company if you bought it outside your employer, or finally the government if you bought the insurance thru the exchange, put it with your tax information so you can give it to me. The latter form (1095-A) was the one from last year and anybody that went thru the market place route in 2014 knows how screwed up that was. Please note-I can't do the return without this so if you are delayed in getting these forms your return will be equally delayed. Of course, as I am writing this, there is a tax law being passed as part of the government funding plan. However it is mostly the "extenders" in the law. What is new about this bill is it is going further than other bills passed of this nature over the last few years. One item is the FBAR reporting is now moved up to April 15th starting in 2017. There are others that I will go over next year. Also some of these "extenders" have been made permanent. I don't have the full bill as of right now and I am only going over the items I have been able to get off the websites. What I mean by extenders are the things like the deduction for teachers, deduction for sales tax, ect., that have expired every year for the past 6 or 7 years only to be extended by congress at the last minute. All of these items did expire on 12/31/14 but this bill is changing that. Yes if you are paying attention you are correct-the 2015 tax year is about to come to a close in a few days. Congress truly believe in the adage of better late than never. So I will see what good news I can find (tongue in cheek) and go over that.

Promises Promises

I have talked about this before and the reason I did is because a client pointed it out to me. Well the IRS/Treasury has come out with the full story-finally. This originates with the President's 2014 state of the union address (hey nobody said the US government is quick) they are called MYRA's and they operate exactly like ROTH IRA's except they are done thru the employers and they are backed by the US government. Now if this is backed by the US government guess what is the ONLY way you can invest in this plan-give up-Us treasury securities. Not to self-serving is it? The idea behind this is to help low to moderate income earners to get started in saving for retirement so another restriction is the maximum you can have in this account is 15k. After that you have to put the amount into a regular ROTH IRA. And to complete the full self serving nature of this new plan by the IRS is you can fund this by putting your tax refund into these accounts. So

instead of giving you the money-they put it right back into their own pockets. Any questions how the Dept. of Treasury operates.

I Plead the 5th

If you ever want to really piss off an IRS agent just assert your 5th amendment rights when they ask you something. How dare you claim your constitutional rights in front of the all-powerful IRS? Laws and constitutional rights are for others who are not in front of the IRS. Didn't you know that? Youssef Youssefzadeh (the name will become important very soon) asserted the 5th in answering questions and the IRS slapped a frivolous return penalty which is one of the worst penalties you can have assessed against you. So this case went to tax court-a court by the way is very pro IRS and they ruled not only does the frivolous penalty does not apply and the return was a properly filed return but the taxpayer IS allowed to assert the 5th. Now the area of tax law THIS taxpayer refused to answer questions (remember his name) was foreign income reported on the schedule B. So the IRS lost a ton on this case. First they lost that we can use the 5th and second we can claim that on one of the biggest areas the IRS has been after in the last several years- Foreign investments and assets. Seldom can I gloat like this.

It's for real

In the last newsletter I mentioned the IRS is going to start a program to put a 16 -digit verification number on the W-2. This has now been set in stone and the codes are going to appear on a select group of payroll providers (none have been named yet but the providers involved has already agreed to join this program). This code will be necessary to file your return. I will put this code on you return for you but if you are filing any forms for your kids or know somebody that uses turbo tax-let them know this needs to be a part of the return.

One for the good guys

It used to be AMT (alternative minimum tax) that was mentioned in every newsletter that I wrote. Now times have changed. Now I talk about identity theft as this is becoming one of the biggest problems both with us as taxpayers and the IRS face. Now the IRS has ruled the returns that were filed by these criminals are not returns at all. This helps you in 2 ways-first you can never be held responsible for that false tax return (this may be obvious to us but until the IRS declares this to be true-it does not exist) but the second issue (and this is more important) since it is not a return-the IRS can disclose the information on the false return to you. This could help you in finding out just how your identity got stolen and could be helpful in plugging the leak.

Last minute

Since this is a last minute newsletter there should be last minute tax advice.

- Make sure you contributed to the HSA before the end of the year. The amount of that can be deducted is 3300 for individual coverage and 6550 for family. There is also a 1000 additional amount for those 55 and older. Also if the HSA was set up late as 12/1/15 the full amount is still deductible.
- I have had many phone calls on this- if you have a loss in stock that you don't think will come back sell it. You can write that off against any gains you have and once you cover that you can write up to 3000 off against all other income.
- Make sure medical expenses are paid before the end of the year. Medical expenses are only deductible when paid BUT paying them off with a credit and counts even if the card is not paid off so if you are going to be close to the 10% deduction floor go ahead and get this done.
- If you are over 70 1/2 make sure you take your required minimum distribution to avoid penalties
- For those that have started a program of gifting make sure you do your gifting up to 14k per person. You could gift 14k on 12/31/15 and another on 1/1/16 if you haven't gifted anything in 2015 so far and not paying any gift tax or file an additional forms. Remember as your CPA I will always help you with your estate tax planning by joyfully accepting all gifts.

And finally . . . well, almost finally

The budget deficit was 439 billion (a mind blowing number) BUT this is 44 billion better than the year before. You might think congress is finally getting the hang of not spending money they don't have but I will snap you back to reality. Tax revenues did increase by 8% last year. So we are doing much better right? Until you realize that over 1/2 of that increase was solely because of Obamacare and all the new taxes you have to now pay. And you thought he put a law in place to help all the people that couldn't afford health insurance. By the way ALL of those taxes from the new Obamacare laws went straight into the general fund. (What did you expect?) and even with all this the first 2 months (yes that is 2 or 1/6 of a year) of this fiscal year the deficit was over 200 billion. Same old same old.

And finally

The GAO (Government Accountability Office) has pointed out a weakness in the IRS and believe it or not it is in their accounts receivable area. Yep, that is correct-- This is money you owe them. The GAO reported the IRS got so confused on individual accounts they just wrote off 9 billion because they couldn't figure out why they thought the taxpayer owed money. So if you got a notice a while ago and now haven't heard anything. SHHHHHHH!!!

That is all for now

The appointment letter will be coming out soon so look for that to set up you tax appt. Also if you are a new client we tend to close things down for a couple of weeks around Christmas and New Year's. That will be true again this year but if you need to get a hold of me for something please send me an e mail on the comcast.net e mail address. I will be checking that one but not the other. Until then Happy Holidays and Happy and Healthy New Year to all. See you in 2016.

-Tom & Dorothy

Reminder from Dorothy's desk!

- Many of you have called to tell us you received a phone call from the IRS threatening to sue you and have you arrested. Please remember this is *not* how they operate. This is a scam. However receiving a notice is legit.