

Tax Newsletter

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Privacy & Disclosure Policies

We value your trust and confidence and we want to assure you that your personal information is kept completely confidential. The IRS in their Circular 230 governs the ethical standards of credentialed tax professionals such as EAs, CPAs and Tax Attorneys. One of those ethical standards to advise clients about privacy and disclosure, that is, who besides your tax professional sees your tax returns and is your name given to anyone outside of your knowledge. I am the only person who sees your tax information at Data-Link Accounting. I sometimes process tax returns under the account of a CPA Attorney in Minnesota and I sometimes process them from my own PC - but I am the ONLY persons who sees your tax data. I use Lacerte tax software from Intuit, one of the top professional tax softwares on the market. When doing your taxes, I transmit your completed and encrypted tax returns thru Lacerte who in turn remits to the Federal and to State. Lacerte does not see your tax information either. Lastly, I never give your name or any other information about you, to any outside entity EVER. If a referral comes my way, I always ask permission before doing anything regarding you or your account with me. Your tax returns, personal and financial information are always secure with Data-Link. I back up all documents on my PC and on an external hard drive. My PC has Kaspersky Internet Security, world known for being hack proof, and I have not had a breach or crash since 2004 when I started using Kaspersky.

I thank you for your business, for your trust in me and I look forward to serving you and your tax needs in the years to come.

OFFICE INFORMATION

Data-Link Accounting has evolved from one of the first fully E-file accounting practices in the 1990's, to being fully electronic and paperless today. I have an office in Ohio where I will be residing for the next couple of years, and I also am in Minnesota a lot and have internet and processing capability there and everywhere in between. I can securely remote access my office PC to serve your needs. Your tax data can be emailed to me or mailed to me. If you email, I would recommend password encrypting your data for security. I will password encrypt your sensitive data when I send it to you as well. Being fully electronic means I can provide you all the services I offer, anywhere, all the time. Besides tax preparation, I provide payroll processing, bookkeeping, representation and more. Call me if you have questions.

MN Property Tax Refund

It is not too late for you to get LAST year's refund if you are eligible. The deadline is August 1st, 2010. Generally, the filing deadline is August 1st for the current year refund, but Minnesota gives a one year grace period. If you feel you may qualify for the property tax refund or special refund, drop me an email or call and we can go over it. If I prepare the M1PR tax return and you are due a refund, the fee is \$45.

Health Care Reform Act Overview Part 1

Well first off, the title of this article is a misnomer. It is not health *CARE* that is allegedly being reformed, it is health *INSURANCE*. I have attached a separate sheet with bullet points and overview of each of the relevant points in the PPACA, or Patient Protection & Affordable Care Act as amended by the Health Care and Education Reconciliation Act of 2010. Both of these titles are also misnomers and infer that those who benefit are patients, which they aren't since the Act is supposed to cover those who do *not* have health insurance so are not yet patients of anybody. It seems the government is secretly pointing the guilty finger at physicians and health care professionals and secondly, pointing the guilty finger at small businesses. But I digress.

The cost of the PPACA is largely going to be paid for by increasing various taxes to those who pay taxes to cover health insurance for those who don't have it. We have heard that those who still choose not to have health care will pay a penalty as if there is equity in the bill. However, those penalties are so puny they are virtually irrelevant when you are talking millions and billions everywhere else. That's it in a nutshell. Really, health CARE in America is better than it's ever been, and better than any other country in the world.

So, this staggering legislation will bring health insurance to some 32 million uninsured people, and the guess now (yes, guess) is that it will cost us 940 billion dollars. Yes, billion. And it will allegedly cut the deficit. Hmmm.

Some of the Tax Act starts in 2010 and continues thru to 2016 primarily. Only 2012 is absent any big changes, probably because it's an election year.

There of course were a number of "non reform" tax and non-tax issues tacked on this bill, so if I cover something that sounds completely unrelated, that is why. Call me if you have questions about the PPACA.

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Enrolled Agents Are To Taxes, as Attorneys Are To Law and As CPA'S Are to Accounting."

Linda Kistler Dahlem is an Enrolled Agent. If you want to know more about this very exclusive credential, do a word search on Yahoo, Google or the irs.gov web site.

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Capital Gain Tax Increases 01-01-2011

The long term capital gain tax increases to a maximum of 20% the first of next year, up from its long time 15% cap for the last few years. If you have appreciated assets held over a year, now is the time to sell. There might be other considerations in selling appreciated assets, like stock options or rental property however, so be sure to contact a tax advisor before you sell.

IRS Employee Illegal Snooping

So, if you worked for the IRS, you might be curious about the tax returns of the "rich and famous", right? It is of course illegal for IRS employees to "snoop" at any taxpayer's tax return unless that taxpayer has been selected for audit and their file assigned to that particular IRS employee. Humans (yes, IRS is human) being the curious monkeys they are, this rule of course gets broken and often. Of the famous folks whose tax returns are most illegally downloaded and snooped at by IRS employees, you might guess, Tiger Woods? Brittany Spears? Madonna or Prince? Leonardo de Caprio? Maybe Paris Hilton? Obama perhaps?

Nope.
The most illegally downloaded tax return(s) are those of ELVIS PRESLEY.

Then and Now

Right after the sweeping Tax Reform Act of 1986, I started Data-Link Accounting and began preparing tax returns. I've seen a lot of changes over the last couple decades, both in deductions and in taxpayer questions to me.

THEN

A couple decades ago, you didn't need your kid's social security numbers or any other dependent social security numbers on tax returns. The first year IRS required SS numbers, millions of dependents "fell off" people's tax returns. Remember when Limited Partnerships gave you tax credits and losses could write income down to zero? Remember when the top effective marginal tax bracket was near 90%? Remember when mortgage rates were 18% so you HAD to buy a house you could afford? Remember when losses from rental property could offset any other income you had? Remember when people paid off their mortgages in their 40's and spent their last 20 years of pre-retirement putting that slush into retirement savings? Remember when people started saving for retirement right out of school and didn't dip into it? Or when people stayed in the same house they raised their kids in and never did a refinance? Or when hand-me-downs were given to family instead of to charities for a tax write off? Or when you could throw a \$20 bill in the church collection plate every Sunday and write it off? Remember when alternative minimum tax was something only the wealthy paid? Or when people took the Home Office deduction without any worries? Remember when folks saved for a car and paid cash? Or had their kids work for them and paid no social security or Medicare tax? Or had their elderly parents live with them instead of in a nursing home?

NOW

Some things are the same as back then. Every year I still get asked if people can write off their pets as a deduction, and now, to write off pet medical costs or pet medical insurance. My clients mostly are logical enough to understand that the patriotic cost of living in America is to pay income tax, but they want to pay what is right and fair and not overpay. I agree.

As for NOW, you can pretty much reverse everything I wrote in the THEN section of this article. Nowadays you must have a written letter/receipt if you want to write off a \$250 or more church contribution. And, NOW IRS has in written tax code specifically disallowed a tax deduction for donating your underpants to charity. Cash in the Salvation Army bucket is not tax deductible any more, which now has sent SA to have people donate via their web site. It is the norm now to take photos and store electronic copies of them to prove your non cash donated items too. Now - it's possible that some of your mortgage interest might not be deductible if you used refi or 2nd mortgage proceeds to buy a car or something else not house related. And now we have the insidious Kiddie Tax where the parents highest tax rate viruses onto their kids tax returns if the kids have investment income - and that Kiddie tax now can reach kids up to AGE 23. Remember when e-fling was an option and not a mandate? Now, S-Corp owners can't take the Home Office deduction and IRS is back looking at the deduction more closely for everyone. Now, people who each have kids from previous marriages, often do not marry but both claim Head of Household filing status (which is illegal but not enforceable). Now the widowed elderly do not remarry but live together because together their social security income would be taxable. Many would agree, that THEN is better than NOW in a great many ways.

SOMETHING BIG

If you have anything **BIG** happen during the year, PLEASE call my office for any tax consequences that might result, or better yet please call before the "event" if you know it will happen ahead of time. Some sticky tax issues might have been avoided with a simple phone call to my office. Some examples:

Marriage	Inheritance
Divorce	Debt Forgiveness
Death	Gifts, to or from
Birth of Child	College
Job Change	Lawsuit gain or loss
Move of home	Windfall profit
Business Sale	Bad Investment

ENERGY EFFICIENCY TAX BREAKS

Are Back

Some tax credits that were in effect for 2007 and 2008, mysteriously disappeared for 2009, much to the chagrin of many taxpayers who made energy efficient purchases in 2009. The IRS really ill informed us on that one. However, the tax break for energy efficient expenditures is back for 2010 tax year.

Tax Tidbit

For the record, the Internal Revenue Code is 12 times the length of the King James Bible and has 9 million words. It's how the federal government separates you from your earnings. Bloated and bureaucratic, the complexity of the document is numbing.

I might note anecdotally that the first tax return required in 1913 was one page long with 4 pages of instructions, and the top rate was 3%, paid mostly by the wealthy. Wow.

My Own Little Tea Party

The following is excerpted from an email sent to me by a client & I found it so telling, I had to pass it on.

Perhaps the reason it struck me, is because of my own humble beginnings, the details of which I won't bore you with in detail but will note in recap. I was emancipated at age 17, lived out of my car for a couple months (the car died), landed at the YWCA for a year from where I hitched-hiked or bused to the University of Minnesota (in MN winter) every day, worked three jobs, & was on food stamps for a while. I saved and bought my first home at age 23, was successful by the world's standards, and never looked back. Yes, I scratched my way up in life so I know it can be done by anyone. That is why the following quotes irk me.

"Madam Speaker Nancy Pelosi wants to put a Windfall Tax on all stock market profits (including Retirement fund, 401K and Mutual Funds.

She quotes...' We need to work toward the goal of equalizing income, (didn't Marx say something like this?), in our country and at the same time limiting the amount the rich can invest.

When asked how these new tax dollars would be spent, she replied:

'We need to raise the standard of living of our poor, unemployed and minorities. For example, we have an estimated 12 million illegal immigrants in our country who need our help along with millions of unemployed minorities. Stock market windfall profits taxes could go a long way to guarantee these people the standard of living they would like to have as 'Americans'.'

(Read that quote again and again and let it sink in.) 'Lower your retirement, give it to others.'

So while the 'teaming mass of people' concept inherent to these "tea parties" is unattractive to me, I can sure understand why taxpayers and Americans are having them.

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THIS NEWSLETTER ONLINE:

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