

Dear Friends and Clients,

Exhausted but elated when the tax season finally drew to a close, I treated my family to dinner at a nearby restaurant and discovered that Florence Henderson (The Brady Bunch mom) was seated just across from me. As we chatted briefly, she seemed to appreciate that my hard work merited celebration. Then, she ordered the Capellini alla Checca; I ordered the Fusilli con Melanzane. Flo finished first, paid her check, gathered her belongings, shook hands with my family, tousled my curly locks and said, "Good job, kid!"

In hopes of earning Flo's (and your) kudos again this year, I'll start off the year with a round-up of information you'll find useful. Most of you will receive this epistle electronically and will have the luxury of clicking on links that will guide you to additional information, as well specific areas of interest which will allow you to short-cut the task now at hand. To those of you without internet access, I offer my apologies for the length of this communication but assure you that the time spent reading will prove worthwhile. And for those of you suffering from insomnia, those of you who are retired or under-employed with little to do, and my mother who always reads every word that I write, this lengthy letter will fill your day(s) or put you to sleep. I gave it my all; I hope that you'll do the same!

California's Governor Brown was busy in 2015 signing 808 bills into law and vetoing 133 others – here are a few that caught my attention:

- In addition to Amber Alerts for missing children, Silver Alerts will now be broadcast on highway signs when an at-risk senior goes missing, Yellow Alerts will offer information about a hit-and-run suspect and Blue alerts will be issued following an attack on a law enforcement officer if the suspect has fled the scene.
- Although right-to-try legislation allowing patients to petition drug companies for access to experimental non-FDA approved drugs failed, right-to-die passed allowing terminally ill patients to legally end their lives using doctor-prescribed drugs.
- The minimum wage rose to \$10/hour effective January 1<sup>st</sup> and equal pay is now mandated for women.
- Compensation for innocent people who are wrongly convicted will increase from \$100 to \$140 for each day behind bars.
- So that more people can vote on fewer issues, the new motor-voter allows for automatic registration of eligible voters when they obtain or renew their drivers' licenses but the filling fee for new ballot measures has increased from \$200 to \$2,000.
- Most importantly, paparazzi drones may not fly over private property, beer-tasting events may be held at farmers' markets, and cheerleading will be officially recognized as a high school sport! Rah, Rah, Sis Boom Bah!



While some of these new laws may be of interest, you have turned to me for tax (not life coaching advice). You count on me to sort through the myriad of tax code changes that occur each year. And so for your benefit I have analyzed, disseminated and distilled 74,608 pages of the federal tax code into plain English – the results can be accessed [here](#) or from the [Materials](#) page on my website. I have also provided a heads-up for 2016 and beyond along with numerous tax minimization strategies for low- and high-income earners. Check it out but be sure to come back here to read about all the practical stuff like documentation requirements, critical deadlines and the ever-important discounts.



## DOCUMENTATION

Each year, there's always one client or another who becomes frustrated by my requests for tax data and my insistence on documentation. Complaints run the gamut from "You didn't ask for that last year" to "My co-worker's brother-in-law's accountant never asks for that!" While I cannot speak for other practitioners, I can explain my own practices and policies which are based upon and honed by over 3 decades of experience. My objective is to apply my skills and expertise to ensure that you pay the least tax allowed under the Code while at the same time minimizing the chances that your returns will fail an audit. But to do that, **I need your help and cooperation**. It is your job to ensure that you have proper records and supporting documentation to withstand an examiner's scrutiny; it is my job to see that these documents might never be needed by exercising due diligence during the preparation process.

In addition to the obvious W-2s and 1099s that should begin to dribble in during these next few weeks, here's what I will ask you to provide (as applicable):

**Forms 1095:** These forms are used to verify that you had healthcare coverage during 2015, whether purchased through the Marketplace (Form 1095-A) or a private insurer (Form 1095-B) or employer-provided (Form 1095-C). Last tax season, only Form 1095-A was required to be issued; this year, all insurance providers must provide informational returns on or before March 31<sup>st</sup> (which may mean that some tax returns will have to go on extension as we patiently wait to receive the needed

forms). Allow me to suggest – for your benefit and mine – that you **submit all of your other data to me as you receive it now and in February**. You'll get into my queue, I'll get a chance to prepare most of your return, and then we can finish up quickly when the elusive data finally arrives.



**Form 1098-T:** Recent rule changes mandate that taxpayers wishing to claim one or more education credits must provide a Tuition Statement. While some schools may send hard copies by mail, others may ask the taxpayer to **log onto the student's school account to pull down an online version**.

**Form 1099-B:** Used to report the sale price and cost basis of assets sold, liquidated or exchanged during the year, revised Treasury Regs specifically prohibit brokers from adjusting basis to reflect income recognized upon the exercise or vesting of stock options. As a result, taxpayers selling stock acquired through the exercise of a non-qualified stock option (NQSO) must manually compute the adjustment. Clients should be prepared to provide me with the amount of previously taxed income which will generally have been reported as wages. Although included in Box 1 of Form W-2, the NQSO income is not separately identified, so you may have to **contact your employer for the additional information** needed to avoid double taxation.

**Letters of Acknowledgment:** If you made charitable contributions and wish to claim a deduction, you must provide me with written letters of acknowledgement from each of the donee organizations which include (1) the name and tax ID number of the receiving organization, (2) your name and address, (3) the date and amount of cash contributed or a description of any non-cash item(s) contributed, and (4) a statement that no goods or services were provided by the organization in return for your contribution or a description and good faith estimate of the value of goods or services that you received. As per IRS rules, **this letter must be in hand before submitting your return**.



**Charitable Receipts:** If, instead, you contributed non-cash items such as clothing or household goods, you must provide me with a copy of a written receipt, along with a **list or description of items donated and an estimate of fair market value**. Both Goodwill and Salvation Army offer valuation worksheets, accessible from links on my website in a section dedicated to "[Charitable Giving](#)".

**Mileage Log:** You may claim deductions for medical, charitable and business miles if you can offer satisfactory substantiation. IRS rules require that you maintain a contemporaneous log detailing the date, the business purpose, and the beginning and ending odometer readings for each trip. Remember that your daily commute from your home to your permanent work location does not qualify for a business mileage deduction. You may keep a [hand-written log](#) in a notebook, a computerized spreadsheet or even a smartphone app. While the IRS will resolutely deny your deduction if you did not diligently maintain a log, some taxpayers have prevailed in court by submitting alternative forms of proof such as ATM withdrawals and credit card statements validating fuel charges, as well as repair receipts offering third party verification of odometer readings. But these documents may only be used to bolster a taxpayer's claim that the fully documented portion of the year is in fact representative of the undocumented portion. In years past, I have asked my clients to acknowledge these rules and certify that they do in fact have proper documentation. In today's more stringent regulatory environment, I may ask you to **provide me with a copy of your log** (or annotated appointment book).



**Repairs:** If you are a landlord or business owner and wish to deduct your outlays for repairs, improvements, materials or supplies, I must remind you that the IRS has issued new [Repair Regulations](#). While reporting thresholds have recently been increased for certain expenditures, it is nevertheless crucial that your outlay is properly classified. As a result, I will ask you to **provide a detailed list including date, cost and description of each item purchased or project undertaken** so that I may determine if your outlay may be currently expensed or capitalized.

**Gambling Losses:** Recent court cases have upheld the IRS rule that gambling gains and losses must be netted on a per-session (not annual) basis. A session of play begins when the gambler places his first wager on a particular type of game and ends when the gambler completes his last wager on the same type of game before the end of the same calendar day. However, if the gambler plays slots at Casino # 1, then leaves to play slots at Casino # 2 on the same day, he will have engaged in separate sessions of play and must net his gains and losses from each session separately. If you wish to claim a deduction for gambling losses, you should be prepared to **certify that you understand these rules** and provide me with a copy of your gambling log.



**Estimated Tax Payments:** Clients often receive correspondence from the tax authorities after their returns have been filed notifying them of "changes" and "adjustments", almost always because the tax payments reported on the return do not match

**Monica Haven, EA, JD, ULM**

1534 South Edris Drive \* Los Angeles, CA 90035 \* (310) 286-9161 \* FAX (310) 557-1626 \* [mhaven@pobox.com](mailto:mhaven@pobox.com) \* website: [www.mhaven.net](http://www.mhaven.net)

the amounts that the IRS or FTB have on record. CA taxpayers may easily obtain a record of payments made to the FTB [online](#). Obtaining comparable information from the IRS is a bit more difficult but not impossible: Either request a [Tax Account Transcript](#) which will arrive by mail in about 10 days, log on to your [EFTPS account](#) to check the history of all previously-submitted online payments, or call the IRS at (800) 829-1040. Call early in the day and be prepared to wait! And be sure to **provide your payment information** when you provide your tax data to me.

**IP PIN Letter:** As part of its efforts to crack down on tax fraud, the IRS is issuing IP PINs to taxpayers who reported or were identified as victims of identity theft. Because the IRS will reject your return if it is e-filed with your SSN but an incorrect or missing IP PIN, it is imperative that you **provide me with a copy of the letter** if you received one. Letters for the 2016 filing season were mailed out at the end of December but incorrectly referenced the 2014 tax year. The IRS has apologized for its mistake and assures taxpayers that the IP PIN should be used to file 2015 returns, as well as any previously unfiled returns for 2012 – 2014.



## IMPORTANT DEADLINES

**February 1<sup>st</sup>:** Forms 1099 which must be issued by payers (including landlords) who have paid more than \$600 to any non-corporate payee, must be sent to payees by February 1<sup>st</sup> and submitted to the IRS by March 2<sup>nd</sup>. Penalties for failure to comply may be steep. Please [contact](#) me if you would like me to prepare these forms on your behalf.

Payroll reporting forms are also due at this time. Please note that if you employ a domestic worker (e.g., nanny or senior caregiver), you are subject to quarterly and annual tax reporting requirements in addition to complex HR reporting obligations (e.g., minimum wage issues, overtime, vacation pay, benefits, etc.). There are many companies which specialize in payroll reporting; [HomePay](#), for example, specifically works with domestic employers in all 50 states and offers free introductory consultations.

**February 29<sup>th</sup>:** Most cities—including the City of Los Angeles – demand that businesses be registered; the attendant tax may be waived *if* registration forms are timely filed. Links to the licensing departments in Los Angeles and City of Santa Monica, information for small business owners and much more can be found on a [specialty page](#) of my website dedicated to business matters.



## DISCOUNTS

As in every year, I will continue to offer my Student, Senior, Out-Patient and Multi-Return Discounts (15%), as well as the Early Bird Discount (10%) **to the first 200 clients who provide all of their tax data to me on or before February 12<sup>th</sup>**. And, my Service Contract entitling you to *free* year-round consultation on most routine tax issues is available for a 25% discount if purchased when we complete the tax preparation process. The contract, as well as all services may be purchased via PayPal™ directly on the [Payments](#) page of my website.

Since I am always grateful when you tout my services and send others my way, I will again reward you with a generous gift card for every referral who becomes a client.

## THE NEXT STEP

Okay, you've made it to the end of this missive. Thank you! Now it's time to gather your data, schedule an appointment or send your information to me by mail, fax or scan. Click in the sidebar to the right or head for my [Home](#) page and click on the Client Packet folder where you'll find everything you need, including my *Personal Tax Organizer* as well as a list of *Documents Needed for Tax Preparation* and my copyrighted *Summary of Important Tax Data*. Clients who do not have internet access or have difficulty downloading PDF files **may request a packet by US mail**.

*Please note that the format of the consent is dictated by the Dept. of Treasury and is intended to cover all eventualities. I ask that you sign the form to give me permission to calculate your estimated tax payments [which I may otherwise not do] and to use your mail and e-mail addresses [yes, those are considered "taxpayer information"] should I distribute my newsletters, web-blasts, articles or seminar announcements. I promise not to share your information with third parties or in any other manner which you have not authorized.*

**If you return the Engagement Agreement and Taxpayer Consent form along with a check or [online payment](#) of my \$375 retainer fee by January 31<sup>st</sup>**, I will deduct an additional \$25 from your tax preparation invoice. It's my way of saying thanks for making a commitment to me and to the preparation process.

I'm thrilled to once again have the opportunity to work with you, your friends, associates and family! *Monica*

Opinions and recommendations stated herein are limited to those issues discussed above. This opinion does not consider or provide a conclusion with respect to any additional issues that may exist. Please be advised that any tax advice in this communication, including attachments and enclosures, was not intended or written to be used--and cannot be used by any taxpayer--for the purposes of avoiding any penalties that may be imposed by the tax authorities.

**Monica Haven, EA, JD, ULM**

1534 South Edris Drive \* Los Angeles, CA 90035 \* (310) 286-9161 \* FAX (310) 557-1626 \* [mhaven@pobox.com](mailto:mhaven@pobox.com) \* website: [www.mhaven.net](http://www.mhaven.net)