



# The Tax Man

If You Want to Pay Too Much in Taxes,  
That's Your Business.  
If you Don't, That's Our Business

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## Watch For Added Taxes If You're Wealthy

The American Taxpayer Relief Act of 2012 was not kind to wealthier taxpayers. They found out the extent of the damage when I filed their 2013 returns. The top ordinary tax rate is 39.6 percent. But, you could face added taxes. The most dreaded is the new net investment income tax of 3.8 percent. This is known as the Medicare surtax because the money goes toward that health coverage program for older Americans. Personal exemptions and itemized deduction totals could also be reduced.

## IRS Penalties Can Be Avoided!

If you owe federal tax on your 2014 tax return, you don't have to pay an underpayment penalty if either:  
Your total tax is less than \$1,000,  
----- or -----

You had no tax liability last year.  
In general if neither of the above apply, you may owe a penalty for 2014 if the total of your withholding and timely estimated tax payments did not equal at least the smaller of:

1. 90% of your 2014 tax, or
2. 100% of your 2013 tax. (Your 2013 tax return must cover a 12-month period.)
3. Higher income taxpayers. If your AGI for 2013 was more than \$150,000 (\$75,000 if your 2014 filing status is married filing a separate return), substitute 110% for 100% in (2) above.

## April 15 Has Passed! Is It Over? *It's Not! Now What?*



Your return has been filed. **BUT**, you may not be able to relax quite yet.

### ✓ Receive An Incorrect 1095-A?

The Treasury Department announced that anyone who enrolled in qualifying Health Insurance Marketplace coverage and received an incorrect Form 1095-A and filed his or her tax return based on that form doesn't need to file an amended tax return. The IRS will not pursue the collection of any additional taxes from you based on updated information in the corrected forms. This relief applies to tax filers who enrolled through the federally facilitated marketplace or a state-based marketplace.

**Don't Dismiss An IRS Letter 5071C As A Scam... Call Me!**

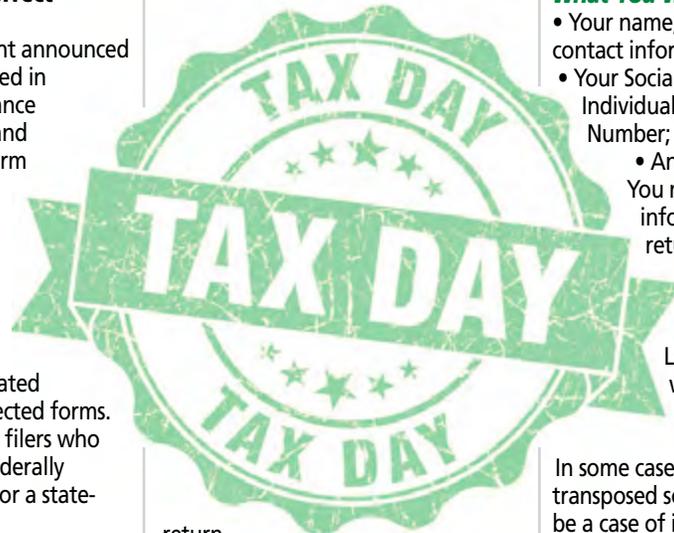
Some individuals may choose to file amended returns. The Treasury intends to provide additional information to help tax filers determine whether they would benefit from filing amended returns.

I can help with reviewing any of the corrected information.

Only a small fraction of tax filers received incorrect Forms 1095-A. The Treasury estimates that in the vast majority of these cases, the impact on an individual's tax liability will be very small.

### ✓ Suspicious Tax Return?

Did you receive an IRS Letter 5071C? Wait! Don't be too quick to dismiss this as a scam! The IRS mails the letter after it stops a suspicious tax



return and needs to confirm who sent it. I need to review. The IRS' Identity Verification Service is an online service aimed at stopping the filing of suspicious tax returns.

If you visit this service because you received an IRS 5071C letter, the IRS needs more information from you to process your tax return accurately or stop a fraudulently submitted return. You'll be asked a series of questions about your identity and tax return history.

### How It Works:

You'll be asked for contact information that the IRS needs to verify your identity. You'll also be asked multiple-choice questions generated by an independent, secure identity assurance service. This service uses non-governmental information to create the questions that only you are likely to know. The information you give will be checked against your records to protect you from identity theft.

### What You Will Need:

- Your name, date of birth, and contact information;
  - Your Social Security Number or Individual Taxpayer Identification Number;
  - And your 2014 tax return.
- You may be asked to verify information from your return, including your adjusted gross income. Don't delay.

If you received IRS Letter 5071C, your return won't be processed until additional information is received by the IRS!

In some cases, the IRS may have transposed some numbers or it could be a case of identity theft. The IRS is quick to state that in the case of identity theft, they may not be held liable for any refund issued in error. For that reason, give me a call as soon as you receive a 5071C letter.

### ✓ Extension Filed?

October 15 is the return filing deadline **but** April 15 was the

[See "April 15" on Page 3 >](#)

## Thank You!

"Tax Season" is always challenging. Your recordkeeping made it so much easier. Thank you for your patience during this busy time. I will continue working to keep your trust and confidence.

### INSIDE THIS ISSUE OF TAX NEWS & TIPS

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# Overlooked Deductions and Other Tax Savings

**✓ Reinvested Dividends**  
This isn't a tax deduction, but it's an important subtraction that can save you a bundle.

If, like most investors, you have mutual fund dividends automatically used to buy extra shares, remember that each reinvestment increases your tax basis in the fund. The cost of reinvested dividends reduces the taxable capital gain (or increases the tax-saving loss) when you redeem shares. If you forget to include reinvested dividends in your basis, double taxation of the dividends results, once in the year when they were paid out and immediately reinvested, and later when they're included in the proceeds of the sale. Make sure that you provide me with all of your reinvestment documents so that you will pay the proper tax.

**✓ Deduction For Medicare Premiums For Self-Employed**

Folks who run their own businesses after qualifying for Medicare can deduct the premiums they pay for Medicare Part B and Medicare Part D, plus the cost of supplemental Medicare (medigap) policies or the cost of a Medicare Advantage plan. This deduction is available whether or not you itemize and is not subject to the 7.5% of AGI test that applies to itemized medical expenses. Be careful. You can't claim this deduction if you are eligible to be covered under an employer-subsidized health plan offered by either your employer (if you have a job as well as your business) or your spouse's employer (if he or she has a job that offers family medical coverage). I will make sure that the proper deduction is claimed.

**✓ Estate Tax On Income In Respect Of A Decedent**

This one just sounds complicated, but it can save you a lot of money if you inherited an IRA from someone whose estate was big enough to be subject to the Federal estate tax. You get an income-tax deduction

for the amount of estate tax paid on the IRA assets you received. As an example, you inherited a \$50,000 IRA, and the money was included in your benefactor's estate which added \$10,000 to the estate-tax bill. You get to deduct that \$10,000 on your tax returns as you withdraw the money from the IRA. If you withdraw \$20,000 in one year, you get to claim a \$2,500 itemized deduction on Schedule A. That would save you \$500 in the 20% bracket. I will need all information that pertains to any inheritance that you may have received in order to take advantage of any deductions that you may qualify for.

**✓ 2014 State Taxes Paid In 2015**

Did you owe tax when you filed your 2014 state income tax return back in early 2015? I'll already have this information if I prepared your return last year...if not, please inform me of these payments. Also, let me know if you received a bill from the State requiring additional payments that you paid.

**✓ College Credit For Those "Other" Students**

College credits aren't just for your ever-in school offspring, nor are they limited to just the first four years of college. The Lifetime Learning credit can be claimed for any number of years and can be used to offset the cost of higher education for yourself or your spouse . . . not just for your children.

The credit is worth up to \$2,000 a year per person, based on 20% of up to \$10,000 you spend for post-high-school courses that lead to new or improved job skills. Classes you take even in retirement at a vocational school or community college can count. If you improved your skills in 2015, this credit can help pay the bill. Claiming this credit phases out as income rises from \$54,000 to

\$64,000 on an individual return and from \$108,000 to \$128,000 for couples filing jointly.

**✓ Credits For Energy Saving Home Improvements**

There's no longer a tax credit for homeowners to save energy by installing storm windows and insulation. But the IRS still offers an incentive for those who install qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines. Your credit can be 30% of the total cost (including labor) of such systems installed through 2016.

**✓ Moving Expenses For First Job**

Although job-hunting expenses are not deductible when looking for your first job, moving expenses to get to that job are. And you get this write-off even if you don't itemize.

To qualify for the deduction, your first job must be at least 50 miles away from your old home. If you qualify, you can deduct the cost of getting yourself and your household goods to the new area.

If you drove your own car on a 2015 move, deduct 23.5 cents per mile, plus what you paid for parking and tolls.

**✓ Points . . . Refinancing**

When you buy a house, you get to deduct the points paid to get your mortgage all at once. When you refinance, though, the points on the new loan are amortized – that is, deducted, over the life of that loan. That means you can deduct 1/20th of the points paid every year for 20 years if it's a 20-year mortgage. That's \$20 a year for each \$1,000 of points you paid—not much, maybe, but don't forget to tell me about it.

Even more importantly, in the year





# Items

you pay off the loan—when you sell the house or refinance again—you get to deduct all as-yet undeducted points. There's one exception to this sweet rule: If you refinance a refinanced loan with the same lender, you add the points paid on the latest deal to the leftovers from the previous refinancing, then deduct that amount gradually over the life of the new loan. Simple? No, but at least you'll save some tax for the trouble.

## ✓ American Opportunity Credit

Unlike the Hope Credit that this one replaced, the American Opportunity Credit is good for all four years of college, not just the first two. Don't shortchange yourself by missing this critical difference. This tax credit is based on 100% of the first \$2,000 spent on qualifying college expenses and 25% of the next \$2,000 ... for a maximum annual credit per student of \$2,500. The full credit is available to individuals whose modified adjusted gross income is \$80,000 or less (\$160,000 or less for married couples filing a joint return). The credit is phased out for taxpayers with incomes above those levels. If the credit exceeds your tax liability, it can trigger a refund.

## >“April 15” from Page 1

deadline for payments. Continue to gather documents that were missing earlier and search for any items necessary to verify Schedules with incomplete information. Please submit all of your information at your earliest convenience so we can determine what you will owe and we can take appropriate action. This could be applying for an Installment Agreement with the IRS or saving money to pay your tax bill.

**It's A Good Idea To Keep Your Tax Returns Indefinitely.**

## ✓ Still Searching For That Refund?

You may contact the IRS website, [www.irs.gov](http://www.irs.gov), at the “Where’s my Refund?” link to check the status of your refund. Another option is calling the IRS Tax Hotline at 800-829-1954. Both the Website and Hotline are updated every 24 hours. Note that E-Filed returns are now tracked by the IRS in hours, however, paper filed returns can take as long as 4-6 weeks.

## ✓ Still Owe?

The IRS will send a bill. The bill will show your balance plus any interest and/or penalty. Pay as soon as possible to avoid additional charges.

- **Installment Plans.** IRS offers installment plans with fees of up to \$120 to set up. Available if the amount owed for tax, penalties and interest is \$50,000 or less and all tax returns have been filed timely. I can help.
- **Credit Card Payments.** A “convenience fee” up to 2.35% applies plus any interest until the balance is paid off. Call 1-888-PAY1040 to set up plan.

## ✓ Oh No! I Forgot...

If you forgot some key information, I can file an amended return. You have 3 years after the filing deadline to change your return. Most 2011 & earlier returns have passed their deadline for filing an amendment. Call me if you have discovered tax documents

or information that you originally omitted from a previously filed tax return.

## ✓ Keep Your Records

For now, put your records in a safe place. You may need to dig them out for an audit one day.

**Older Records.** It's a good idea to keep tax returns indefinitely. Keep all records of investments and properties you still own. For other records, i.e., cancelled checks, receipts, bank statements, etc., I

recommend that you keep 5 years' worth of these for safety.

## ✓ Uh-Oh... An IRS Letter!

If you get a letter from the IRS, try not to panic, just call me. The letters can be confusing. Don't risk making an even bigger mess! We can handle it together.

## ✓ Will I Be Audited?

There's no sure-fire way to know. Your chance of an audit is less



than 1%. That 1 in 100 chance is reduced to 1 in 250 if your return doesn't include income from a business, rental real estate or employee business expenses. Almost 70% of all “audits” are really done by a computer. The IRS compares various forms like W2s and 1099 forms from your employer, banks and brokers with what's on your return. When they spot enough of a discrepancy, an IRS letter is generated that appears to be a bill. Don't pay it yet! Send it to me and we will assess the situation. The IRS is not always right!

**Keep Me Posted!** I'll be preparing your 2015 return several months from now, but we can stay alert now for changes that could create a tax surprise. Let me know about any new income items or changes in the members of your household.

## >“Tips” from Page 4

homes—have to stay on their toes to capture tax breaks for buying new equipment. The rules seem to be constantly shifting as Congress writes incentives into the law and then allows them to expire or to be cut back to save money. Take “bonus depreciation” as an example. Back in 2011, rather than write off the cost of new equipment over many years, a business could use 100% bonus depreciation to deduct the full cost in the year the equipment was put into service. For 2013, the bonus depreciate rate was 50%. The break expired at the end of

## ✓ Tax Tips

2013 and stayed expired until the end of 2014 ... when Congress reinstated it retroactively to

cover 2014 purchases.

Perhaps even more valuable, though, is another break: supercharged “expensing,” which basically lets you write off the full cost of qualifying assets in the year you put them into service. This break, too, comes and goes. But as part of last-minute 2014 tax legislation, for 2014 purchases, it applies to up to \$500,000 worth of assets. The

**Supercharged “Expensing” Applies Up To \$500,000 Worth Of Assets**

\$500,000 cap phases out dollar for dollar for firms that put more than \$2 million worth of assets into service in 2014. For now, the limit for purchases made in 2015 is just \$25,000 and it phases out once more than \$200,000 of assets are placed in service. (There's a good chance Congress will sweeten this break, again, before 2015 returns are due in 2016.)

Call me for answers to your specific situation.



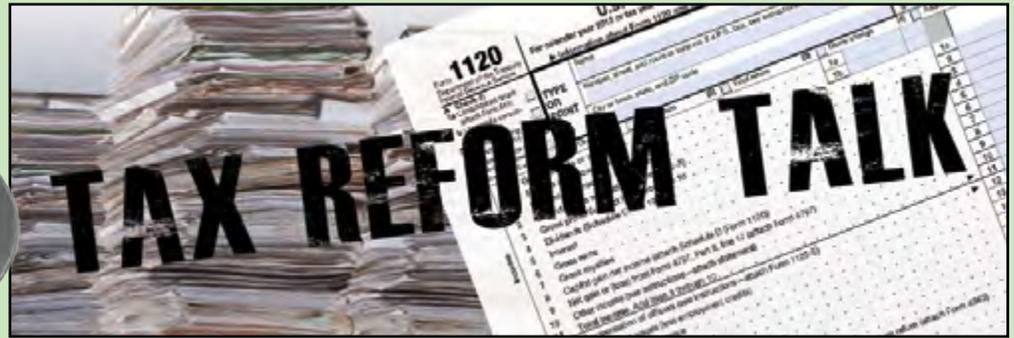
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### Watch Out For Tax Reform

The last overhaul of the Federal tax code was in 1986. Will we finally see major changes in the Internal Revenue Code in 2015? Probably not. Will we hear a lot of talk about tax reform? Yes. It's not an election year but talk of taxes makes for good campaign ads for 2016.

**Stay tuned!**



## The Tax Man

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RETURN SERVICE REQUESTED

## Tax Tips For You... Now!

**✓ Adjust Withholding Taxes**  
Most taxpayers get a Federal tax refund every year. For many of you, it's an easy way to save money for a major project or special purchase. Because of IRS processing delays, many refunds were received later than in previous years. You can eliminate this annual wait from the IRS for your refund by not getting one in the first place. Simply adjust your withholding taxes from your paycheck, pension, unemployment checks or social security checks. It's easy. Call the payer of your check (your payroll department for paychecks) and fill out the paperwork. The IRS even has an

online calculator to help you [www.irs.gov/irs-withholding-calculator](http://www.irs.gov/irs-withholding-calculator). Or, call me. I can help with your calculation.

**✓ Legal Fees to Obtain Alimony**  
Although legal fees and court costs involved in a divorce are generally nondeductible personal expenses, you may be able to deduct part of your attorney's bill. Since alimony is taxable income, you can deduct the part of the attorney's fee that is attributable to setting the amount. You can also

deduct the portion of the fee that is attributable to tax advice. You must itemize to get any tax savings here, and these costs fall into the category of "miscellaneous expenses" that are deductible only to the extent that the total exceeds 2% of your adjusted gross income. Still, be sure your attorney provides a detailed

statement that breaks down his fee so you can tell how much of it may qualify for a tax-saving deduction.

**✓ Bonus Depreciation**  
Business owners—including those who run businesses out of their

**Because of IRS Processing Delays, Many Refunds Were Received Later**

*See "Tips" on Page 3 >*



### Your Tax Calendar

- June 15** 2nd quarter estimated tax payments due.
- Sept 15** 3rd quarter estimated tax payments due.
- Sept 15** Deadline for extended returns for Corporation, Partnerships and Fiduciaries.
- Oct 1** Deadline to establish a Simple IRA for self-employed or small businesses.
- Oct 15** Extended Returns for 2014 due.

*Contact me if you have any questions or are thinking of a new venture that could affect your taxes.*