



SPECIAL POINTS OF INTEREST:

- What are your resolutions?
- Shocking—the IRS has a simplified method for the home office deduction...
- The Taxpert answers your questions.
- Funnies, Referrals, Quotes and Buster's Latest

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Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

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Richard's Financial Resolutions for 2014

The first full week of the year is often cited as one of the most difficult and depressing weeks of the year. Far from shiny newness, experts say that with all the let-down after the holidays, coming back to work, or leaving behind family, can bring a heightened sense of loss. That, combined with the fact that we're staring at 2 to 4 months still left of winter (depending upon what part of the country you call home, of course -- we have clients

and friends reading this from across the country)...

Well, it can be a tough week.

Hope you don't mind if I volunteer not only to provide authoritative and actionable tax advice for your specific situation, but also to play a role as a "coach" for your finances, and

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Less Paperwork and Record-Keeping...

Approximately 3.4 million taxpayers claimed the home office deduction in 2010. Would you believe the IRS just made it easier? I know – hard to believe, but they did. This year the IRS has issued a simplified method of deducting the home office. **Of course you still have to meet the same home office requirements that have always been in place, regular and exclusive use as your main office**, but it's now easier with less paperwork and little time spent on record-keeping.

The simplified method allows you to deduct five dollars per square foot of your home office up to a maximum of 300 square feet. However, the home office deduction cannot exceed your business income. The new simplified method allows you to deduct the home office without keeping track of all your utilities, maintenance and other expenses. And don't fret, you could still deduct the mortgage interest paid, real estate taxes, and casualty losses on Schedule A as an itemized deduction.



There are, however, some disadvantages to using the simplified method versus the actual expense method. You should know that under the simplified method you are forfeiting any previous home office deduction carryforwards and the ability to carry forward any excess deduction to a future year. Also, the simplified method does not take into consideration depreciation for your home office. With the actual expense method you can apply previous year carryforwards (limited to business income), carry the excess deduction to future years, and calculate depreciation on your home office.

Afraid of making a mistake? No need to worry, the decision is not permanent. If you choose the simplified method and then believe it wasn't the best decision for you, next year you can change the home office deduction method back to the actual expense method. Just know that after you file your return, the IRS will not allow you to amend your return to reflect the change in the method of the home office deduction. So, let us help you to decide if the simplified or the actual method for the home office deduction is best for you in your situation. ❁

The Downside of Debt Forgiveness

Q: What's my tax liability in a foreclosure?

A: When you borrow money it's not a taxable event because it's assumed you'll pay it back. But with most types of debt relief, you have income because it's an enhancement to your balance sheet. That's true even if you never actually received any cash. The IRS considers any forgiven debt of more than \$600 as taxable income.

There are some exceptions however:

1. a discharge of debt in a bankruptcy proceeding under Title 11;
2. a discharge when you are insolvent outside of bankruptcy;
3. a discharge of qualified farm indebtedness;
4. a discharge of qualified real property business indebtedness, and
5. a discharge of qualified principal residence indebtedness before January 1, 2014.

Note the date in number five above. Since January 1, 2007 there has been an exception for qualified principal residence indebtedness. Taxpayers did not have to recognize income from the discharge of that debt. However, that's now gone away. Assuming, of course, Congress doesn't change the law retroactively.

Think of it this way: John ran up \$15,000 in credit card debt but he settles the debt for \$10,000. If the lender is unable to collect the remaining debt and writes it off as a loss, then John should expect to pay taxes on the \$5,000 of the debt that was forgiven. The IRS considers that \$5,000 of debt relief as a windfall because you used that money to buy stuff, like clothes, dinners at restaurants, a new bike, and you no longer have the obligation to pay it back.

Be on the lookout for a Form 1099C. If you had debt relief, it's an important tax document and should be reported on your tax return for the year in which the debt was forgiven.

Many people don't realize they have to report it, just don't think about it, or they ignore the form and just toss it out.

You also need to make sure the Form 1099C is correct. Nina Olson, head of the IRS's Office of the Taxpayer Advocate, has warned Congress that financial institutions have issued 1099Cs for debts they haven't even tried to collect for some time. Beware, taxpayers have been known to receive duplicate 1099Cs for the same debt and have found it difficult to reconcile with the IRS, according to Ms. Olson.

Do you have a question for the Taxpert that you'd like to see answered in a future Taxing Times? Or perhaps just an issue you'd like the Taxpert to address? Send the Taxpert a note to Taxing Times, 1050 Hillcrest Rd., Ste A, Mobile, AL 36695 or an email to: taxpert.zl@comcast.net.

We Believe in Referrals

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- * Auto/Home/Life Insurance
- * Chiropractor
- * Home Insulation
- * Massage Therapist
- * Pest Control
- * Printer
- * Realtor
- * Private Pilot
- * Land Surveyor
- * Financial Advisor
- * Event Planner
- * Cultured Marble
- * Veterinarian
- * Remodeler
- * Plumber
- * Personal Trainer
- * Air Conditioning Repair/Replacement



Richard,

Thank you for all your great help in preparing my taxes and even more for offering me some tax planning. You are so right when you say that preparing taxes is the end result. Tax planning will make the result look a lot better.

- Jim Byrd

Richard:

I have no idea what you do, but so far I have avoided jail, so you must be doing something right! The tax system is broken, needs an overhaul, and tamps down small business owners. You and your team do an excellent job!

Thanks,
Douglas Kearley

Richard's Financial Resolutions for 2014

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even your mindset.

This is why our clients and their friends seek us out for more than simple tax-preparation, but a whole host of other services as well – from planning, to business services, to simple encouragement. **I get to be someone in your life who says: “You can do this. You’re not alone.”**

Here’s the thing about most financial resolutions: They don’t usually last even until the end of January. That’s because making a permanent change in our behavior requires both time and a steely resolve. But I’ve found that I can develop financial character one action at a time.

So in that vein, here are some financial practices to take you from pauper to prince or princess if you add one each year. If you’ve already got one down, move to the next one on the list.

#1 MOST CRITICAL: Resolve to become (and stay) debt free. Now, I’m not Dave Ramsey, but there’s a reason why he’s become so popular: his approach works. I’d say that you can have a fixed rate fixed year traditional mortgage on your house—but nothing else, please. No equity line of credit on your house. No car payments. Certainly no credit card debt! Because you simply have to learn to live within your income—which, unfortunately, sometimes means going without. The millionaires among us are really frugal. So learn to enjoy that process, and it’s a fantastic start.

#2 Automate Your Savings (aka Pay Yourself First). You can start by getting the entire match if your company offers a 401(k) plan. Usually this translates to saving 5% of your salary while the company contributes a 4% match, *which is the fastest way to get an 80% return on your money!* Most Americans forgo this match, believing they need to spend 100% of their salary. But you can learn to think like a millionaire and live well on 95% of what you make. If you don’t have a 401(k) plan, act like you do, and sock away 5% automatically.

#3 Fully Fund Your 2014 Roth IRA. This is \$5,500 in 2014 and \$6,500 if you are older than age 50. If you can’t manage the entire amount in January, put in \$416 monthly. Automating deposits in an employer-defined contribution plan is easy. Fortunately, automating savings in a Roth IRA or a taxable savings plan is equally painless. Most brokers offer an automatic money link between your checking account and an investment account. Set your savings on auto-pilot, baby!

Remember— the steps build off one another, so if you already have done the first three, here’s your next step:

#4 Save Another 5% In a Taxable Investment Account. Automating savings is great, automating investment is even greater. Keyword here: **automate**. At this point you’re hitting the mark of saving 15-20% of your income. That’s a fast-track to long-term prosperity.

Obviously that’s not all, grasshopper. But these will get you started. 🌸

Survey Says...

Studies show that:

- 68% of customers who stop buying from one business and go to another do so because of poor or indifferent service.
- 14% leave because of an unsatisfactorily resolved dispute or complaint.
- 9% leave because of price.
- 5% go elsewhere based on a recommendation.
- 1% die.

That means that 82% go somewhere else because of a customer service issue!

What’s sad is that most of those customers who leave don’t bother to complain. They just leave and don’t come back. We need to make sure that we show sincere appreciation with every customer, every time.



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*We would like to wish all of our clients and readers a
VERY HAPPY NEW YEAR!!*



Christmas Day, about 3:30 in the afternoon I'm told, having enjoyed an excellent lunch with Carita, the children and grandchildren, Richard took time to take me out for a well-deserved afternoon constitutional.

Unable to find his usual clutch of plastic bags for collecting my doings he called out to Carita that he would instead take the fancy little gift bag in which he just recently received a small present from Jack and Tyler.

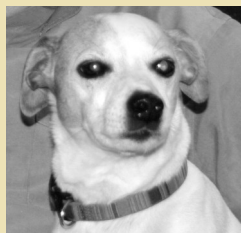
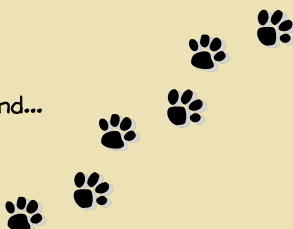
We strode purposefully up the street, down around the curve, up the hill and back around. There were a couple of occasions when Richard had to pick up my doings and promptly placed them in the gift bag for later disposal.

Coming back up the last hill toward home, we were walking in the street close to the curb. But, at that moment, two young boys, who appeared to be around 13 or 14 years old, came squealing around the corner on their bikes, at considerable speed down the hill shouting and laughing at Richard. The two kids grabbed and stole the colorful gift bag and sped off into the distance. Merry Christmas hoodlums!

I have often wondered what happened next.

Until next time,

Your canine friend...



Don't You Know Nothing?

We all know January 1 is New Year's Day, but did you know the second is Run up the Flagpole and See If Anyone Salutes Day? There's not a single day in January that doesn't have some sort of bizarre or unique holiday. January 4 is Trivia Day.

January 5 is National Bird Day, while the eighth is Male Watcher's Day. In the month of January we honor the birthday of Winnie's author A. A. Milne with Winnie the Pooh Day, and Martin Luther King, Jr. on his birthday. January 3 has the most holidays-- it is Festival of Sleep Day, Fruitcake Toss Day, and Humiliation Day.

There is a Chocolate Cake Day, National Kazoo Day, Backward Day, and Opposite Day. Why do we need both? Kathy, you might like to know there is a National Pharmacist Day on January 12.

But of all the January holidays to scratch your head about January 16 strikes me as the oddest: it is National Nothing Day. Must be a congressional holiday.

"Whether you think you can or whether you think you can't, you're right."

- Henry Ford, *American Industrialist*

"The world has the habit of making room for the man whose words and actions show that he knows where he is going."

- Napoleon Hill