



SPECIAL POINTS OF INTEREST:

- Buster's Latest
- Referrals
- Great customer service is fun!

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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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## Hidden Problems in Popular Tax Filing Options

For various liability issues, I'm loathe to actually mention this company by name, but let's say for the purposes of this conversation that there's a big, popular company which made its fortune on the backs of lower income taxpayers called H&P Black (a name picked completely at random). This company floods the airwaves each winter with a program offering free tax preparation.

Maybe you've heard about it? Well, like many such things, there are, shall we say... strings.

First of all, here are the restrictions: it only covers those filing the 1040EZ federal form, which covers only the simplest tax issues. It can't be used by anyone who has dependents, makes more than \$100,000 per year, is age 65 or older, claims adjustments to income like alimony or tuition deductions, or itemizes deductions. Thus homeowners who deduct mortgage interest or people with large charitable contributions can't use the 1040EZ.

Plus, filers have to pay fees for state preparation and other fees incurred --- which have a tendency to pile up.

Asked by stock investors why [said company] was doing this, an executive replied: "*Our ability to monetize this program means a mini-*

*mal impact on our net average charge,*" [said company] Retail Tax President Mazzini told analysts prior to the program's roll out.

It's always enlightening to look at executive interactions with stock analyst to see why public companies do what they do, I found.

So --- in summary: **don't be seduced by the siren call of getting something for nothing.** You usually end up paying for it, in a whole host of ways.

In fact, one of our revenue centers over the years has always been in fixing the mistakes made by these big box retail tax outfits and off-the-shelf software programs, and discovering loads of missed opportunities and overpayments.

Because, speaking of software: do you remember when our former Treasury Secretary used the leading tax software to do his taxes, unintentionally created a bunch of errors with it, and then blamed it for all of his tax problems in front of the Senate? Not an uncommon issue, I'm afraid.

The old adage is an adage because it's so often true: **you get what you pay for.** It's the foundation for a stable economic system because it is almost always true. ☼

## What Assets Matter Most in Financial Aid Formulas?

By: Wendy Nelson Bailey, CFP

As a parent, grandparent, aunt or uncle you may often wonder how college cost will be covered for those you wish to see grow into successful adults. The way that you save for a child's education can impact how much financial aid a child may receive.

In order to receive financial aid, a 10 page FAFSA form must be completed by the parents of the child who is preparing to enter college. FAFSA stands for Free Application for Federal Student Aid. This application will help determine the EFC - Expected Family Contribution--which is derived from a formula that has different weightings for assets and savings depending on how the ownership has been structured.

What assets is the FAFSA looking for?

Savings and checking account balances, investment accounts, pension plans, tax-exempt interest income, tax credits, investment property, tax deferred savings plans such as the 529, the net worth of a business with over 100 full time employees or a farm that is not the family's primary residence. FAFSA does not consider the value or debt of the home you live in, your retirement plans or insurance.

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## PAW PRINTS G O R N E R

Good grief! Human folk never cease to amaze me. I've noted before you seem to need something to celebrate every month, even every day. I can't understand why you don't comprehend that every day is a celebration in and of itself!

This month takes the cake (make my king cake) maybe it's because February is the shortest month of the year. Maybe you just need to feel that you need to get your money's worth. But really all the special events are exhausting!

The month starts out with everybody in a tizzy about some rodent crawling out of his cave to predict the weather. Really?! Take a look at the Weather Channel or get an app for your phone for crying out loud! Rodent versus radar: Uh duh!

What's really worth celebrating in February is International Dog Biscuit Appreciation Day on February 23. Now there's a day for dogs! Who else could possibly appreciate the true value of a dog biscuit. They say "every dog has his day." It will definitely be his day when you give them some tasty dog biscuits. Celebrate the day by giving your dog a few dog biscuits.

That's preceded by Walking the Dog Day on February 22. Now there's a special day a dog can always look forward to all year long. But, wait a minute....

Don't you walk your dog just about every day? Sure you do! And, weather permitting, it's enjoyable for you and your dog. Don't have a dog? Then do it with your yo-yo. Walking the dog is also a yo-yo trick. There's also a yo-yo day, but I digress.

Of course we wouldn't want to forget about Love Your Pet Day on February 20. The day is a day to pamper your pet. It's a good excuse to spend time with your pet give them some special treats and loving. Even if it's a cat.

If you don't have a pet, maybe today's the day to adopt a pet. Take a trip to the local Humane Society shelter and bring home an animal that needs you. It will make both of you feel good.

Until next time,

Your Canine Friend,  



### Birthday Behind Bars

Wow! Celebrating his 50<sup>th</sup> birthday in prison while serving his three year sentence for tax evasion. I'm sure screen star Wesley Snipes never thought that's how he would spend a milestone birthday. In 2008, he was convicted of three misdemeanor counts for failing to file his tax returns. In December 2009, he reported to a medium security prison in Pennsylvania. He was later transferred to a minimum security prison. After getting out of the minimum security prison, Snipes was on house arrest until July 19, 2013. Within a week it was reported he already had his next acting role.



*Wesley Snipes:  
Next time, just pay the taxes.*

**This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 2/24/14 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070.**

## What Assets Matter...

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Does it matter whose name the assets are in?

The FAFSA calls for parents to contribute no more than 5.6% of their savings to college costs, and some assets do not get counted at all, as mentioned above. Private colleges use a different formula for calculating the parents' contributions based on the College Scholarship Service/Financial Aid PROFILE. In both cases, income will have a greater impact on financial aid eligibility than parent-owned savings will. FAFSA and most private colleges ignore assets in retirement accounts but consider distributions from the accounts as untaxed income in the year you withdraw them.

Child owned assets are weighted more heavily. FAFSA weighs those accounts at 20%; the private school formula assesses them at 25%. For financial-aid purposes, you're better off saving in parent owned accounts, which include 529 savings accounts, prepaid tuition accounts and Coverdell's. UGMA (Uniform Gift to Minor Account) and UTMA (Uniform Trust to Minor Account) both custodial accounts belong to the child, but you can transfer the money to a custodial 529 to qualify for the parents' lower assessment.

The federal formula ignores assets in grandparent-owned 529 plans and cash value life insurance, but counts the distribution as income.

If you want to gift money to your grandchildren, or your favorite niece or nephew, I know they will be thrilled. However, the manner in which this is achieved could have an impact on the student's eligibility for financial aid. If you give the money directly to your grandchild, niece, or nephew, it will be counted as an asset in the child's name and will count heavily against financial aid eligibility. If you give the money to the parents it will have less impact on eligibility but it will still need to be counted. The best choice may be to keep the cash on hand in your name until the tuition payment is due and then help the child with costs as they arise. This way the money will not be considered a child owned asset. Alternatively, you could fund a 529 plan for the children. These assets are assessed at a much lower value than cash in a checking account.

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## USA's Fourth Largest Tax-Preparation Firm Forced to Shutter Its Doors

A Justice Department press release calls return preparer fraud one of the largest problems facing the IRS.

In November 2013, a federal district court in Ohio issued a permanent injunction ordering ITS Financial LLC, the parent company of Instant Tax Service tax franchisor, to cease operations. The order, which was issued at the conclusion of a two-week trial, also bars ITS Financial's sole owner and CEO from operating or being involved with any business relating to tax return preparation.

ITS Financial, which claims to be the fourth largest tax-preparation business in the country, had more than 150 franchisees that filed more than 100,000 tax returns each year in 2011 and 2012.

The Justice Department cited a long list of the company's transgressions, including:

- Filing tax returns for customers without their permission and encouraging franchisees to do the same;
- Training and encouraging franchisees to prepare and file tax returns prematurely with paycheck stubs that omitted and understated income, resulting in submitting false federal tax returns;
- Defrauding their largely low income customers by marketing fraudulent loan products to lure them into their tax-preparation offices and by requiring franchisees to charge phony and exorbitant fees;
- Forging customer signatures on loan checks that were then used to fund the business;
- Failing to pay more than \$1 million of the businesses' employment taxes, lying about assets, and hiding money in a secret bank account;
- Lying on government forms and encouraging franchisees to do so, as well;
- Obstructing government agents, including the IRS, and circumventing law enforcement efforts involving the suspension of electronic filing identification numbers;
- Telling franchisees to lie to the IRS during IRS compliance visits.



The court cited an IRS study that showed that the tax harm the company's franchisees caused in just five cities during a single filing season was between \$10 million and \$25 million. ☼



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## 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 business-people 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 products or services.



*"Don't worry about failures, worry about the chances you miss when you don't even try."*

*-Jack Canfield*

*"Don't let what you can't do interfere with what you can do."*

*-John Wooden*

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Chiropractor  
Home Insulation  
Private Pilot  
Custom Metal Fabrication  
Plumber  
Personal Trainer  
Marketing Coach  
Custom Embroidery and Monogramming  
Financial Advisor  
Bulk Port Facility  
Cultured Marble  
Veterinarian  
Remodeler

## Up Against the Big Guys

**As small businesses we have to provide better customer service than the big guys.**

**I'm not talking about Customer Service in a Box. This isn't about the canned, 'Thanks for shopping at Mega-Mart, have a nice day' kind of customer service. We're talking about Out-Nordstrom Nordstrom Customer Service in which, even if we mess up, the customer is going to come back because they like and believe in us! We're talking about the kind of customer service in which customers are not just satisfied, but loyal. Customer service in which customers not only come back time and time again, but enthusiastically tell others about us.**

**Another great reason to give Out-Nordstrom Nordstrom Customer Service is, it's fun. Pleasing people is just plain fun!**

If and only to the extent that this publication contains contributions from tax professionals who are subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, the publisher, on behalf, of those contributors, hereby states that any U.S. federal tax advice that is contained in such contributions was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purposes.