

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Sole proprietors in the crosshairs of the IRS
- Call-in times and referrals
- Words to live by
- Accountants are more than just number crunchers
- What's the secret??

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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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Taking the Shirt Off Your Back, But No Deduction

In what may come as a shock to many of you, the country is broke and is looking for additional revenues. You should know, it will be looking in every nook and cranny to replenish the federal coffers. What you may not know is the Internal Revenue Service seems already to be engaged in revenue-finding-missions. Among the objects of their affection – in the tax audit – are sole proprietors filing Schedule C, and substantiation requirements for every possible deduction.

The IRS now views the Schedule C as the repository of all manner of evil taxpayer intentions to reduce their tax liabilities (and, from the perspective of the IRS, federal revenues). IRS agents are reportedly beating the bushes of sole proprietors primarily to reduce, or eliminate, claimed deductions as unsubstantiated to increase both income and self-employment tax liabilities.

All deductions are a matter of legislative grace, and that grace comes with a price: at a minimum to maintain books and records to support the expenditure, and, in many cases, to meet more exacting substantiation standards than the Code imposes as a condition to deductibility in various circumstances. One might not think of charitable contributions as a source of major contention with the IRS, but in the case of non-cash contributions, the taxpayer is technically required to establish, both the fair market value of the property and the property's adjusted basis. In some cases, the Code requires an appraisal of property (where the value exceeds \$5,000) contributed to a charity.

However, the property's adjusted basis comes into question in two cases: first in most cases where the property is inventory in the hands of the donor, and secondly, if tangible personal property that is unrelated to the charity's exempt function, the amount of the contribution is limited to the donor's adjusted basis in the property. For example, if a taxpayer donates used clothing to a charity that does not distribute them to poor or indigent individuals, the deduction is limited to the lesser of your basis or fair market value. Now, it may seem like common sense that the current value of almost all used clothing is less than what was paid for it but technically, a claim for a deduction of

such items requires some proof of both the fair market value and the cost basis of the property.

And such was the case I recently read about in *Surgent's Tax Issues Newsletter* where a taxpayer was denied a claimed \$850 deduction for clothing donated to charity. Yes \$850! The return was under audit and the taxpayer submitted photographs of all the clothing donated and matched them up to the current list of retail prices published by The Salvation Army and recognized by the IRS– but that wasn't enough. The auditor wanted purchase receipts of each item to establish the cost basis. Even if the taxpayer was in the 35 percent tax bracket, the amount of tax at issue was only \$298. The IRS correctly assumed the taxpayer would throw in the towel rather than incur additional time, effort and costs to substantiate the deduction. So, the IRS pressed the issue hard enough to deny any deduction. Hooray, the deficit was reduced \$300!

From a practical standpoint, trying to establish the cost of most any item of personal property even shortly after its purchase, much less a couple of years down the road, is extremely difficult. So, nothing prevents the IRS from using similar audit strategies where larger sums of money are involved.

Echoing the motivation Willie Sutton once famously gave for robbing banks, the Internal Revenue Service knows where the money is. *

**This month's special Member
-Only call-in times for
Lindsey's Insider's Circle
will be 10/24/16 from 2:00
to 4:00 pm. To schedule your
appointment, contact
Kristen at (251) 633-4070.
Not a member yet?
Find out how to become one
TODAY!**

Remembering Steve Jobs' Last Words

Steve Jobs was the co-founder, chairman, and chief executive officer of Apple, Inc. This is the fifth anniversary of his death. These inspirational words are often referred to as his last.

I have come to the pinnacle of success in business.
In the eyes of others, my life has been the symbol of success.
However, apart from work, I have little joy. Finally, my wealth is simply a fact to which I am accustomed.

At this time, lying on the hospital bed and remembering all my life, I realize that all the accolades and riches of which I was once so proud, have become insignificant with my imminent death.

In the dark, when I look at green lights, of the equipment for artificial respiration and feel the buzz of their mechanical sounds, I can feel the breath of my approaching death looming over me.

Only now, do I understand that once you accumulate enough money for the rest of your life, you have to pursue objectives that are not related to wealth.

It should be something more important:

For example, stories of love, art, dreams of my childhood.

No, stop pursuing wealth, it can only make a person into a twisted being, just like me.

God has made us one way, we can feel the love in the heart of each of us, and not illusions built by fame or money, like I made in my life, I cannot take them with me.

I can only take with me the memories that were strengthened by love.
This is the true wealth that will follow you; will accompany you, he will give strength and light to go ahead.

Love can travel thousands of miles and so life has no limits. Move to where you want to go. Strive to reach the goals you want to achieve. Everything is in your heart and in your hands.

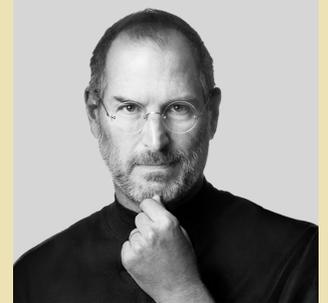
What is the world's most expensive bed? The hospital bed.
You, if you have money, you can hire someone to drive your car, but you cannot hire someone to take your illness that is killing you.

Material things lost can be found. But one thing you can never find when you lose: life.

Whatever stage of life where we are right now, at the end we will have to face the day when the curtain falls.

Please treasure your family love, love for your spouse, love for your friends...

Treat everyone well and stay friendly with your neighbors. *



Accountant Runs Away With Olympic Gold

Gwen Jorgensen recently became the first U.S. woman to win Olympic gold in the triathlon, crossing the finish line with a time of 1:56:16.

Jorgensen earned a master's degree in accounting at the University of Wisconsin-Madison, passed the CPA, and took a position as a tax accountant with the EY corporate tax group. She didn't even take up triathlon until after college. In college, Jorgensen was a runner and swimmer, and was approached by USA Triathlon looking for college athletes they thought would be successful in the sport. She initially turned USA Triathlon down, but they convinced her to try the sport as a hobby while working for EY.

With the help of one of the tax partners at EY, Jorgensen was able to work a flexible schedule to accommodate travel for competitions and time to train for the 2012 Olympics in London. After the London Olympics, she decided to put her accounting career on hold in order to devote her time to training.

Looks like it was time well spent. It's not every day a tax accountant from Wisconsin wins a gold medal in the Olympics. *



Million \$ Marketing \$ecret

Shhhh! I have a secret for you. I'm going to share it with you today, but you have to promise to keep it under wraps.

Applied to your business correctly, this one "secret" could transform your business. If you have the faith to apply this secret correctly, it could be worth millions. Your life could change from struggling to keep the wolves at bay to successful entrepreneur nearly overnight.

Okay, here's your tip of the day. Well, it's not so much a tip of the day, as it is the tip of the week, or maybe the tip of the year...

Change your prices. That's all you have to do. I have seen more people make more money simply by raising their prices than any other advice I've given them.

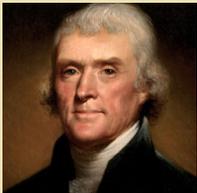
Nearly every business person grossly underestimates the elasticity of price, and neglects the fraction of their customers/clients/patients who will cheerfully buy a higher priced premium option of what they sell if only it were offered. They leave a lot of money on the table by not offering a leather bound version of the paper bound product; a red door to walk through in the back instead of the blue door in the front.

Marketing guru Dan Kennedy talks of the time he lived in Phoenix. At the time, there was a very popular nightclub in Phoenix that had a big, long rope line in the front where you could buy a card for \$500 a year that allowed you to stand in the rope line in the back. Well, you say, who's gonna buy a card for that? A lot of people did, based on the length of the line in the back. In fact, some nights the rope line in the back was longer than the rope line in the front.

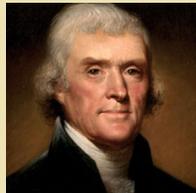
Not everyone will, but there are plenty of customers who will select a premium option. Price is very elastic. Most

"A WISE AND FRUGAL GOVERNMENT, WHICH SHALL RESTRAIN MEN FROM INJURING ONE ANOTHER, SHALL LEAVE THEM OTHERWISE FREE TO REGULATE THEIR OWN PURSUITS OF INDUSTRY AND IMPROVEMENT, AND SHALL NOT TAKE FROM THE MOUTH OF LABOR THE BREAD IT HAS EARNED. THIS IS THE SUM OF GOOD GOVERNMENT, AND THIS IS NECESSARY TO CLOSE THE CIRCLE OF OUR FELICITIES."

"MY READING OF HISTORY CONVINCES ME THAT MOST BAD GOVERNMENT RESULTS FROM TOO MUCH GOVERNMENT."



THOMAS JEFFERSON



business people don't understand just how elastic price is because of the manner in which they set their prices.

Here's what most people do, and I'd be willing to bet you've done the same thing. They look around at what everybody else in their industry is charging and set their price right in the middle. They think they're being "competitive." If they're really daring, they try to be a little higher than the average; or if they think they can buy volume, maybe they set it a little lower than average.

Alas, there are also those poor souls who attempt to price themselves at the bottom of the heap in order to proclaim they have the lowest prices on the block, in their town, their region, or whatever. It is a dangerous strategy because, as I've warned you time and again, there is always someone willing to go out of business faster than you are.

Here's the power of transaction size. Granted, it's a very simple example, but one you might ought to post on your wall where you can see it every day. How do you get to a million dollars in sales in your business? You can get there with one transaction, if you can sell someone something for a million bucks. If you're going to sell something for \$100 it's going to take you 10,000 sales to make it. Making a million dollar sale is not 10,000 times harder than making a \$100 sale. It just isn't. Now, I'm not saying Starbucks could figure out how to make a million dollar sale, but they did figure out how to sell a cup of coffee for \$8. They didn't do that by getting a committee together in a conference room and saying, "Let's see, Denny's sells their coffee for \$0.55 and Dunkin Donuts is \$0.72, so, let's be courageous and go for \$0.99." That's NOT how they got there.

You're familiar with Omaha Steaks, right? They come in a Styrofoam ice chest delivered to your door. They have good steaks. But, you know they also have hamburgers. And they have hot dogs. All of them delivered right to your door. So, Omaha steaks are, let's say, double or triple the price of the best beef being sold in the supermarket or butcher shop. Maybe they're five times as much as Sam's or Costco. Yes, they do deliver, but a steak is a steak is a steak. Right?

Wrong! Now, there's Allen Brothers. Ever try theirs? I hear they are wonderful. It's twice the price of Omaha. These guys are in the same business, catalogue selling of steaks, hamburgers, hot dogs, and they have the gall to charge twice as much as Omaha! And people are switching like there's no tomorrow.

I recently read about a cosmetic surgeon, Doctor Fairfield, who lives in the Philadelphia area. He does seminars to bring in new patients. At the seminar he offers a \$25,000 membership in the practice for the patient to have all the cosmetic procedures they want or need for three years. So you want to come have a Botox shot every day? You can; \$25,000 membership fee up front. Five people in a room of 150 chose this option, and three of them had no prior relationship with him. They showed up based on a newspaper ad and plunked down \$25,000. That's price elasticity. It's everywhere. I promise you, most people don't understand it and most people underestimate it. *



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Looking for Someone You Can Rely On?

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.

- ⤷ Cultured Marble
- ⤷ Kitchen and Bath Designer
- ⤷ Realtor
- ⤷ Mary Kay
- ⤷ Attorney
- ⤷ Air Conditioning Repair
- ⤷ Banker
- ⤷ Payroll Processing
- ⤷ Home and Auto Insurance
- ⤷ Business Coach
- ⤷ Hair Stylist
- ⤷ Civil Engineer
- ⤷ Printer
- ⤷ Window Treatments
- ⤷ Home Inspector
- ⤷ Electrician
- ⤷ Pest Control
- ⤷ Identity Theft Protection



Tax ID Theft Close to Home

Last year, in Phenix City, Alabama, tax preparer Lasondra Miles Davis was ordered to pay \$1,941 in restitution to the IRS, sentenced to two years in prison, and one year of supervised release for her involvement in a stolen ID tax fraud.



Davis pleaded guilty to one count of aggravated ID theft. Her mother, Teresa Floyd pleaded guilty earlier in the year to one count of conspiracy to defraud the U.S. and one count of aggravated ID theft.

News outlets cited court documents that said that between March 2011 and May 2014, Davis and her mother operated several tax preparation businesses where she obtained stolen IDs. Floyd then used the information to file more than 900 false federal income tax returns that claimed more than \$2.5 million in refunds. *

What I'm Reading...

NOW

Sabotage by C.G. Cooper
The Golden Rules: 10 Steps to World-Class Excellence in Your Life and Work by Bob Bowman

RECENTLY

Bourne Supremacy by Robert Ludlum
The Reluctant Entrepreneur: Turning Dreams Into Profits by Michael Masterson



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