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Newsletter October 2018

Upcoming Tax Dates:

October 15: Extended individual and C-corp tax return filing deadline

With the fourth quarter upon us, now is the time to finalize your tax plans before the busy holiday season arrives. Included here are some steps you can take to jumpstart the process for you. Also included are articles on how the IRS identifies tax fraud, and six ideas to keep your business successful.

Please call if you would like to discuss how any of this information relates to you. If you know someone who can benefit from this newsletter, feel free to forward it to them.

Time to Review Your Tax Strategies

- **Assess your income.** Begin by determining how your income this year will compare to last year.
- **Examine life changes.** Review any key events over the past year that may have potential tax implications. Here are some examples:
  - Purchasing or selling a new home
  - Refinancing or adding a new mortgage
  - Getting married or divorced
  - Incurring large medical expenses
  - Changing jobs
  - Having a baby
- **Identify what tax changes may impact you**. Tax changes for the current year are expected to be more impactful than we've seen in 30 years. With these changes in mind, we can review your past income tax return to estimate what the impact may be on your upcoming tax bill. Please keep in mind that Congress has a habit of making last-minute changes so more changes may still be coming.
- **Manage your retirement.** One of the best ways to reduce your taxable income is to use tax beneficial retirement programs. Now is a good time to review your retirement account funding. Are you taking full advantage of your employer's retirement plans? Are you saving money to invest in your future through various retirement savings options? Is your business using the best type of plan?

- **Avoid surprises.** Conducting a final tax planning review now allows you time to try to reduce your tax obligation. This is especially true if you are unsure of the specific changes made to the tax code. Remember some tax-saving ideas may require funding on your part. It is best to identify them now so you can save cash to take advantage of them prior to the end of the year.

Fraud? Negligence? Know the Difference!

Each year the IRS opens thousands of investigations looking for possible tax fraud. In 2017 alone, the Criminal Investigation (CI) arm of the IRS identified $2.5 billion in potential tax fraud with a 91.5 percent conviction rate. While the IRS takes tax fraud seriously, they also understand that mistakes happen. Here is what you need to know.

Tax Fraud or Negligence?

Fraud. The IRS defines tax fraud as intentional wrongdoing, on the part of the taxpayer, with the specific purpose of evading a tax known to be owing. To be considered fraud, taxes must be owed and there must be deceitful intent. If convicted of tax fraud, penalties can be hundreds of thousands of dollars and may include prison time.

Negligence. On the other hand, tax negligence is an unintentional mistake. Common mistakes are wrong names or Social Security numbers, math miscalculations and errors in figuring credits or deductions. Most of these mistakes happen when individuals calculate taxes on their own. While a mistake is not usually considered fraudulent, it can create additional penalties and interest if the mistake results in more taxes owed.

Areas to be extra cautious

The majority of returns with false information will be considered a mistake, not fraud, due to a lack of nefarious intent. Even still, it's good to know when to be extra cautious to avoid unneeded scrutiny of your tax return. Here are some common areas the IRS is on the lookout for fraud:

- **Underreporting income.** Income that doesn't get reported is usually from some form of non-wage income like a side job or contractor arrangement. Make sure you have documentation of all payments received by you. All income, regardless of the source, needs to be reported.

- **Including personal expenses as business deductions.** Intentionally padding business deductions with non-deductible personal expenses can be deemed tax fraud. If you have a business, ensure that you have a separate bank account for your business transactions to avoid extra questions. For all deductions, keep your receipts in an organized fashion to prove the expense if necessary.

- **Concealing information during an audit.** Going through an audit can be an unnerving event. Don't add to the pain by intentionally hiding information from an auditor and unknowingly creating a fraudulent situation. If you are selected for an audit, the first thing to do is get help!

The tax code is complex and the IRS understands this. Missing information from taxpayers is often considered an accident unless there is reason to believe it is intentional. If you have a situation you are concerned about, don't hesitate to call.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.

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