

Identity Theft and Your Tax Returns

The IRS does not initiate communication with taxpayers through e-mail. Before identity theft happens, safeguard your information.

Be alert to possible identity theft if the IRS issued notice or letter:

- states more than one tax return was filed for you, or
- indicates you received wages from an employer unknown to you.

An identity thief might also use your Social Security number to file a tax return in order to receive a refund. If the thief files the tax return before you do, the IRS will believe you already filed and received your refund if eligible.

If your Social Security number is stolen, it may be used by another individual to get a job. That person's employer would report income earned to the IRS using your Social Security number, making it appear that you did not report all of your income on your tax return.

You should submit a copy, not the original documents, of your valid Federal or State issued identification, such as a social security card, driver's license, or passport, etc, along with a copy of a police report and/or a completed IRS Identity Theft Affidavit - Form 14039.

IRS Agent Refuses Pizza Bribe

A Texas restaurant owner has been sentenced to two years in jail after he was convicted of trying to bribe an IRS agent by offering her free pizza and a job.

A Houston-area resident offered pizza and "work" to an IRS agent in February 2008 after an audit of his business showed that he owed \$49,000 in back taxes for the years 2004 to 2007. The auditor, suspecting she was being offered a bribe, reported the incident to her supervisor.

The pizza owner pleaded guilty and was convicted of bribery of a public official. He was sentenced to 24 months in federal prison for bribery of a public official. He has been in federal custody since his arrest in October 2008 and will remain in custody to serve his sentence.

Anti-Tax Law Evasion Schemes

Since shortly after the federal income tax was enacted in 1913, some individuals and groups have encouraged others not to comply with the law. There have been unsuccessful challenges about the applicability of tax laws using a variety of arguments. There have been assertions that the sixteenth Amendment was not properly ratified, the tax law was unconstitutional, the tax law did not apply to certain types of income, the tax law only applied to certain individuals, and the tax law violated one or more constitutional rights.

Despite the courts having consistently rejected these arguments, their promoters continue to expound them, even incurring penalties for bringing frivolous cases into court or for filing frivolous tax returns. They often present their arguments in a pseudo-legal format, luring unsuspecting people into participating in their schemes to evade taxes.

The tax law is found in Title 26 of the United States Code.

The IRS has one of the highest conviction rates in federal law enforcement. In addition to serving substantial prison sentences imposed by the courts, those convicted must also pay fines, taxes, civil penalties, and, frequently, court costs.

Tax Calendar for June

Individual:

15 – Estimated tax payment

Business:

15 – Monthly Payroll Taxes

22 – State Sale Tax Payment

Life Cycle from Birth through Childhood

DEPENDENT

In most cases, a child can be claimed as a dependent in the year in which he or she was born. The child needs a Social Security Number (SSN). If the child does not have an SSN and is eligible to receive one, apply for one as soon as possible by filing Form SS-5 with the Social Security Administration.

CHILD TAX CREDIT

The Child Tax Credit can reduce your tax. You may be able to take a credit on your tax return for each of your children under age 17.

CHILD AND DEPENDENT CARE CREDIT

You may be able to claim the credit if you pay someone to care for your child under age 13 so that you can work or look for work.

FILING REQUIREMENTS FOR CHILDREN WITH INVESTMENT INCOME

Under certain circumstances a child's investment income may be taxed at the parent's tax rate. These rules apply to a child under 18 at the end of the tax year and also apply to a child who is 18 or a student under age 24, whose earned income is not more than one half of the child's own support.

COVERDELL EDUCATION SAVINGS ACCOUNT (ESA)

This savings account is used to pay qualified educational expenses at an eligible educational institution. For purposes of the Coverdell ESAs, an eligible educational institution includes a public, private, or religious school (kindergarten through grade 12) as determined under state law, as well as a college, university, vocational school, or other institution eligible to participate in a student aid program administered by the Department of Education. Contributions are not deductible; however, qualified distributions are tax-free. Contributions can be made by eligible individuals in the child's name, but the total can not exceed the stated maximum for any one year.

Senior Citizens

Retirees should have received their economic stimulus checks in May. Social Security was responsible for mailing out the checks. If my senior clients did not receive their checks, please let us know.

Laugh Out Loud

Going Fishing

Saturday morning I got up early, dressed quietly, made my lunch, grabbed the dog and fishing equipment, slipped quietly into the garage to hook the boat up to the truck, and proceeded to back out into a torrential downpour.

The wind was blowing 50 mph. I pulled back into the garage, turned on the radio, and discovered that the weather would be bad throughout the day.

I went back into the house and slipped back into bed, where my wife was turned away from me. I whispered to her, "The weather out there is terrible."

My loving wife of 20 years replied, "Can you believe my stupid husband is out fishing in that mess?"

I still don't know to this day if she was joking, but I've stopped fishing.

It's been hard to get this letter out to you this year because it seems like on an hourly basis, everything changes. The roller coaster ride that we have been through watching Congress and the Administration try to address the economic woes is like nothing any of us have seen in our professional careers. One indication of this volatility is the fact that the stock market this Fall has moved up and down in value by wider margins in the last 50 trading days than it had in the previous 25 years. These moves are approaching a trillion dollars in value on a daily basis.

The tax law is so closely linked with the volatile shifts in politics and the economy that few of us know with certainty what will happen next. What I can do is give you an overview of the recent changes that might affect you and some idea of what the next round of stimulus measures and tax changes might be. If you have any questions concerning any of the information outlined below, please contact my office to schedule an appointment.

Bailout Bill Has 100 Tax Provisions

On October 3, 2008, President Bush signed into law H.R. 1424 (P.L. 110-343), the so-called "Bailout Bill." The new law contains not only the \$700 billion financial industry rescue plan but also several important and far-reaching tax bills that were moving through Congress at the same time. The tax titles include the yearly extension of expiring tax provisions (the tax "extenders" bill), a temporary adjustment in income thresholds for the alternative minimum tax (the AMT "patch"), tax relief for Midwestern disaster areas hit by storms and floods, and, finally, numerous energy

Laugh Out Loud

Stress Relief

As an assistant professor, I taught during the day and did research at night. I would usually take a break around eight, however, to play the strategy game Warcraft online with a teammate.

One night I was paired with a veteran of the game who was a master strategist. With him at the helm, our troops crushed one opponent after another, and after six games we were undefeated. Suddenly, my fearless leader informed me that his mom wanted him to go to bed.

"How old are you?" I typed.

"Twelve," he replied. "How old are you?"

Feeling my face redden, I answered, "Ten."

Just a thought..

Few of us ever test our powers of deduction, except when filling out an income tax form.

Laurence J Peter

Guest Contributed Article

Make Your New Year's Financial Resolutions

ANNCR: It's time for New Year's resolutions. This year, why not try some financial resolutions? Here are a few to consider:

First, resolve to stay calm. As you're well aware, 2008 was not exactly a stellar year for the stock market. What will 2009 bring? No one can say for sure, but as an investor, your best move is to stay calm and remain focused on your long-term goals.

Next, vow to increase your 401(k) contributions. Your 401(k) is still a great way to save for retirement.

Also, build an emergency fund containing six to 12 months' worth of living expenses, kept in a liquid account. This fund can help prevent you from having to sell stocks to pay for an unexpected expense.

Finally, be patient, disciplined and forward-looking. The investment world has taken some knocks lately, but good investment opportunities are still out there.

This is Greg Kubes, your Edward Jones Financial Advisor located at 2966 Park Hill Drive, Fort Worth, TX 76109, 817-207-9533.

Member SIPC

Additional information about the stimulus package

The most closely-guarded secret at the Treasury Department is not the amount of gold in Fort Knox. The real secret is something that goes by the name DIF. The Discrimination Information Function is the IRS' formula for determining which tax returns get audited.

DIF is a computer program that evaluates the numbers on your return compared to those from folks in the same state who have similar income and filing status (married/joint, single, etc...). If certain numbers seem un-

Tax Question

If you have run a small business in the past, but this year there is no income or expenses, is it necessary to file a Schedule C?

Answer on the back

Motivational Quote

"I've failed over and over and over again in my life and that is why I succeed. "

Michael Jordan (1963-)
Retired Basketball Super-Star and businessman

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Laugh Out Loud

Las Vegas Churches

This may come as a surprise to those not living in Las Vegas, but it is a very spiritual city, with more Catholic churches than casinos!

Not surprisingly, some worshipers at Sunday services will give casino chips rather than cash when the donation tray is passed.

Since they get chips from many different casinos, the churches have devised a method of turning the chips into cash. They send all their collected chips to a nearby Franciscan monastery, where the patient and detail-oriented men sort and count the chips. The chips are then taken to the casinos of origin and cashed in.

This is done by the chip monks. You didn't even see it coming, did you?

Tax Calendar for June

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SWTC Can Help

SWTC will give you peace of mind for the upcoming tax season. Our continuing education and membership in tax professional organizations keeps us current with tax law changes. Our M.B.A with concentration in accounting, gives us the time to prepare and maintain your financial statement for the return.

Tax Calendar for Dec

Motivational Quote

"Why not? Why not you? Why not now?"

Business:

15 – Monthly Payroll Taxes

22 - State Sales Tax Due