

# ENDERLE · BESTEN · DIERUF PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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With the holiday season behind us, it is time to turn our attention to the upcoming tax season and year-end work. We are always looking for ways to make it easier on you. If it seems overwhelming, let us send one of our staff out to your office or home to help organize your tax materials. For those that have used them in the past, tax organizers will be arriving in your mailbox soon. If you would like to receive a personalized tax organizer package, just call and we'll get one to you.

– Mark

## IMPORTANT DATES TO REMEMBER:

**January 31**

Have W-2's to your employees

**January 31**

Send most 1099's to Independent Contractors

### EXTENDER LEGISLATION (FINALLY) PASSED!

Items of particular interest:

The popular Section 179 expensing limit has now been permanently set at \$500,000.

The education credit known as the American Opportunity Tax Credit (AOTC), which had been scheduled to expire 12/31/17, is now permanent.

Charitable Distributions from IRAs – this is a fairly popular program, and can be beneficial in the right circumstances. This provision is now permanent. It allows individuals age 70 1/2 and older to be allowed to make tax-free distributions from individual retirement accounts (IRAs) to a qualified charitable organization.

For those C corporations that elect “S” status, the reduced five-year recognition period for built-in gain following conversion is now permanent.

The popular “bonus depreciation” provision has been extended for five years, and will be gradually phased out. “Bonus” depreciation is set at:

- at 50 percent for 2015-2017;
- at 40 percent in 2018; and
- at 30 percent in 2019.

These are a few of the more popular provisions; there are dozens more that we will be discussing with you if applicable to your situation or business.

### QUESTIONS, ENDLESS QUESTIONS

Sometimes it may seem that the email questions we ask you about your tax situation go on and on. Most of the time, the organizer we send will get 90% of our questions answered, but when unusual or complicated transactions take place, sometimes we have to line things out very carefully to make sure we have it right. Thanks in advance for helping us in this regard!

### SEMINAR WE ATTENDED IN WASHINGTON, DC, NOVEMBER 2015

Most of the tax staff participated in a top-notch tax seminar in Washington, DC in November. This is widely held to be one of the best tax seminars put on anywhere in the country. We also participate in many other training seminars all year, with each team member having concentrations in particular areas.

### ARE YOU IN THE TOP 1%?

If your adjusted gross income (AGI) in 2013 was \$429,000 or more, you were in the top 1% of all individual taxpayers. Here's one that is a little more interesting...if your AGI was \$127,695, you were in the *top 10%*. *This top 10% club paid 69.8% of all individual income taxes that the government collected.* The bottom 50% of all taxpayers paid just 2.8% of all individual income taxes that the government collected.

### NOTICES

Our clients are very good at getting us copies of any official correspondence they receive; we like to respond immediately to any official correspondence. Oftentimes, these notices make it seem as if you or we are guilty of some wrongdoing. Most likely, however, is that there is some paperwork or explanation that takes care of the problem. If you do get a notice in the mail, please get it to us ASAP, and we'll investigate and respond.

### GIVE THEM CHICKENS?

A “tax protestor” story – a few days ago, a disgruntled taxpayer in Oregon, Louis Alder, took seven live chickens to the Oregon Department of Revenue and released them inside the building. I can only imagine the chaos that ensued. Mr. Alder has reportedly been banned from the building. LOL.

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## THE IRS

*What we see* – increases in “automated” notices that are completely baseless that we must deal with nonetheless. The IRS’s personnel then have to address our responses to these automated notices, and *substantial* delays in the resolution of these IRS errors are the new normal.

*What we hear* – from those inside the IRS and outside – the IRS is underfunded, agents are overworked and that turnover is rampant.

*What we experience* – in general, a slowdown on IRS service, and sometimes outright exasperation in getting a problem solved for a client. We do still get results, but sometimes it just takes longer.

We have had to make increasing use of the “Taxpayer Advocate” service in obtaining resolution of difficult cases. This agency of the IRS operates independently, and can sometimes help get things done through non-normal channels.

As part of the “extender” legislation just passed, the IRS is receiving additional funding...its budget is now \$11.235 billion (a \$290 million increase over 2015). Lawmakers directed the IRS to use the additional funding to make measurable improvements in customer service levels as well as improve the identification and prevention of refund fraud and identity theft, and enhance cyber security.



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## DE MINIMIS SAFE HARBOR EXPENSING

What’s that? When you buy an ink pen for your office, we automatically expense that item, probably as “office supplies” because it is small. Question is, where do we draw the line? For 2015, the IRS says the line stops at \$500. Below that, we expense the item, above that, we apply other rules to see if we can expense it or depreciate it. But this year, starting January 1, 2016, the line stops at \$2,500. Make this a new policy in your office...expense items costing less than \$2,500. Need help? Call us and we’ll walk you through it.

## OWE THE IRS MONEY? YOU COULD HAVE YOUR PASSPORT REVOKED.

A bill was signed into law in December, called the Fixing America’s Surface Transportation (FAST Act). It includes what most would consider “normal” provisions in the Act, like excise taxes on diesel, tires, etc., but an unusual provision was included that affect individuals with seriously delinquent tax debt. A seriously delinquent tax debt is an unpaid, legally enforceable federal tax liability of an individual, provided that the liability has been assessed, is greater than \$50,000, and with respect to which either a notice of lien has been filed or a levy has been initiated by the IRS. Tax debts are excepted from this definitions in two situations: the individual is paying the debt in a timely manner pursuant to an installment agreement or offer-in-compromise, or the IRS collection action is suspended because of a collection due process hearing. If this is of concern to you, please contact us, as the details of this provision are quite complicated.

## IDENTITY THEFT UPDATE

Last year, more than 9.9 million Americans were victims of identity theft, a crime that cost them roughly \$5 billion. Tax-related identity theft crimes have also risen dramatically. The Treasury Inspector General for Tax Administration reports that 2,416,773 taxpayers were affected by identity theft in 2013, nearly double the number of victims in 2012, and nearly quadruple the number in 2011.

We get calls almost weekly about scam phone calls that claim to be the IRS demanding payment for nonpayment of taxes. The callers, posing as IRS representatives, claim that the taxpayer owes money to the IRS. Taxpayers are told that they must pay the balance promptly using a pre-loaded debit card or wire transfer or be subject to punishment, including arrest, deportation or suspension of a business or driver’s license. Although the callers have heavy foreign accents, they use common names during the call, including “Kevin Peterson” and “Ronnie Miller.” They may also use fake badge numbers. It is not unusual for the caller to turn hostile during the call, and use threatening language.

We are required to electronically submit most returns we file. Last year during tax season, we had numerous accounts get flagged by the IRS for identity theft possibility. What happens then is that we have to file returns the old way, by paper, and jump through numerous hoops including filing identity theft paperwork with the IRS. Getting information from the IRS as to what caused the flag to appear in the first place is apparently now impossible. Our requests in this regard have not been responded to by the IRS.

**THINK YOU'VE GOT TAX PROBLEMS?**

We file Offers in Compromise (OICs) for clients in deep trouble with the IRS *in appropriate circumstances*. We assess the potential of your situation, and advise appropriately. When we cannot qualify for OIC, we try to get clients the best payment plan terms.

Wesley Snipes, the actor who fought an unsuccessful battle against the IRS over his unpaid taxes and ultimately served a nearly three-year prison term, is now in a new dispute with them.

Snipes has reportedly petitioned the U.S. Tax Court to allow the actor to enter the IRS's Fresh Start initiative and lower the amount of unpaid taxes that the IRS is assessing him. The IRS denied Snipes' offer to pay \$842,000 and is instead demanding the actor pay \$17.5 million. Snipes was convicted in 2008 on three misdemeanor counts of failing to pay his taxes for three years for 1999, 2000 and 2001, although he was acquitted of felony charges.

He had followed the advice of a tax protester organization that claimed income taxes were illegal for the government to assess.

**NEW PROFESSIONAL STAFF**

In the last month, we have had some new additions:

Justin Watkins has joined us after leaving Mountjoy Medley.

Luke Hardy, a recent accounting graduate of UK, joined us in December.

Nathan Wilhite, a recent accounting graduate of Georgetown College, joined us in December.

We look forward to you meeting each of these exceptional individuals.

Small business clients – let's start on the business part of your tax returns now, while we are waiting on personal tax materials to arrive.

Don't think that you have to wait until you have 100% of your tax information in hand before we get started.

Early is better!

**FOREIGN FINANCIAL ACCOUNTS**

Did you have foreign accounts with an aggregate value higher than \$10,000 at any time during the calendar year? U.S. taxpayers (including individuals and business entities) are required to report on foreign assets or investments they hold in offshore accounts. Under the Bank Secrecy Act, you may be required to file what is known as the FBAR directly with the Financial Crimes Enforcement Network (FinCEN), a bureau of the Treasury Department. Given the diversity of assets that many people hold, we advise against assuming that the FBAR rules don't apply to you. If you're not sure, we can help you determine the answer.

If you would like some one-on-one assistance with gathering your tax information, we are more than happy to send one of our tax staff out to your home or business to assist; just let us know.

And if you have questions while gathering your materials, please call us. (859)254-4427

**HOBBY LOSSES**

This is the term the IRS assigns to small businesses that have too many losses for too many years. In general, the presumption is that a small business is started with an intent to make a profit, but if the worst happens, and the losses continue year after year, the IRS can assert that the business is really a hobby (in their view). If you have a small business that has thrown off a net taxable loss for the last couple of years, you should discuss this with us.

**LOCAL TAXES**

The various localities in which we live and work also want us to pay taxes. Some are quite aggressive in collecting what they believe are taxes owed to them. What we need you to do is keep track of revenues by locality, if you operate in different localities. Call us if you have recently expanded into other localities so we can discuss how these rules apply to you.

**MILEAGE RATES UPDATED**

Effective January 1, 2016, the standard mileage rates are going down, and are as follows:

- Business use of auto: 54 cents per mile
- Charitable use of auto: 14 cents per mile
- Medical use of auto: 19 cents per mile

With gas prices taking a nosedive during 2015, we expected these rates to go down. Make sure you are keeping a good log of your business miles to preserve this valuable deduction. Estimates and gas receipts don't cut it. We can show you exactly how to keep a "perfect" mileage log. There are numerous phone apps out there for business mileage tracking (and other business expenses also). If you use one of these apps, we recommend that you keep a paper backup until you are comfortable that it works well.

## Meet Our Professional Staff



**Mark G. Enderle, CPA, CFF – Partner** - Graduated from Miami University in 1989 with a Master of Accountancy (taxation), and from Ohio University in 1988 with a Bachelor of Business Administration in Accounting. He has extensive experience in the taxation and management of business entities, including LLC's, S-Corporations, and partnerships. Mark regularly consults with business owners on optimal business structure and succession issues. Mark holds a CFF (Certified in Financial Forensics) certificate.



**Christopher B. Besten, CPA – Partner** - Native of Lexington, KY where he attended Lexington Catholic High School and then the University of Kentucky. Chris graduated from UK in December of 2005 with a BS in Accounting and a BBA in Management, and was also a member of the business fraternity Alpha Kappa Psi. He was a founding member of the Rotary affiliate Rotaract Club of Lexington. Chris specializes in topics pertaining to individual income taxation, LLC's, S-Corporations, and forensic accounting.



**Andrew H. Dieruf, CPA, CFE – Partner** - Andrew Dieruf came to us a few years ago from Price Waterhouse Coopers' Cincinnati office, where he worked on the audits of SEC clients. Andrew is a CPA and has a designation as a Certified Fraud Examiner. He is a graduate of Transylvania University, with a Bachelor in Accounting degree. Andrew is our Director of Audit Services.



**Scott L. Romans, CPA/ABV, CFE – Partner** - Scott graduated from Transylvania University in May 2009 with a Bachelor of Arts degree with a focus on Accounting. Scott joined the firm in December of 2009. Scott focuses on Partnership and S-Corporation Taxation, Business Valuation, Forensic Accounting, and Business Consulting.



**Jason C. Mitchell, CPA - Senior Auditor** - A native of Frankfort, Kentucky, Jason graduated from the University of Kentucky with a Master of Science in Accountancy and joined Enderle Besten Dieruf, PLLC in October of 2011. Jason specializes in audits, financial statement presentation, and not-for-profit taxation.



**Elizabeth H. Besten, CPA – Senior Accountant** - Elizabeth graduated from the University of Kentucky in 2006 with a Master of Accountancy with an emphasis in taxation. Elizabeth specializes in individual and business taxation compliance and planning, and supervises much of the firm's bookkeeping work.



**Thom E. Pavlik, CPA – Staff Accountant** – Thom graduated from Miami University in Ohio. Thom joined Enderle Besten Dieruf, PLLC in the summer of 2012. He works on individual and business taxation, IRS issues, payroll matters and business consulting.



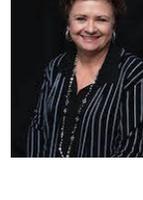
**Greg S. Collins – Senior Accountant** – Greg graduated from the University of Kentucky with a Bachelor of Science and a Master of Science, both in Accounting. Greg has been with the firm since 2007. Greg specializes in flow-through entity taxation, tax preparation and consulting for small businesses and IRS representation.



**Kathleen T. Soukup – Staff Accountant** – Kathleen has been with our firm since 2010. Her expertise includes full-charge accounting, financial statement preparation, and business financial analysis.



**Teri L. Browning – Staff Accountant** – Teri has been with the firm for over 23 years. She works with our clients on bookkeeping, payroll and state taxation issues.



**Bridget A. Cerny – Staff Accountant** – Bridget joined our firm in 2014. She works on individual, corporate and partnership tax return preparation, as well as bookkeeping.