

Compliments of ...
**Tax Minimizers
of Oregon Inc**

Bend 541- 548-1040
Gresham 503-665-1040
Portland 503-281-0919
Redmond 541-923-1040

www.taxminimizers.com

ClientAdvisor

Summer/Fall
2014

Dear Clients & Friends,

As the coolness of fall replaces the heat of summer, the continued impact of change affects us all. Included in this issue is new information from the IRS to limit the impact of criminals stealing refund direct deposits and an update on the Revenue Service's audit statistics. Interested in buying a home? Please read the enclosed article on ways to make home ownership more afford-

able. In addition, you will find a copy of the new Taxpayer Bill of Rights and a summary of an IRS Alimony tax review. As always, please feel free to call with any questions or concerns.

Thanks for your support.

Ideas to Make Home Ownership Affordable

Much is being written about how it is becoming harder to purchase a first home. Is home ownership out of reach?

The problem

For years the values of homes kept going up. Then came the 2008 recession and housing market collapse. While housing prices adjusted downward, the ability to obtain financing became more difficult. Meanwhile, many potential young home-buyers carry significant debt loads from college. While the housing market has now rebounded, the median household income has not risen

much to help take advantage of the home buying opportunity.

Ideas to make home ownership more affordable

Given the difficulty to own your first home, here are some ideas to consider to help make your dream a reality.

🏠 **Location.** Buy a less expensive house in a great location. Over time this smaller starter home will more likely increase in value and build equity for your next purchase.

🏠 **Start small.** Consider making a condo in a high demand area

Everyday Advice

*"Moderation. Small helpings.
Sample a little bit of everything.
These are the secrets of
happiness and good health"*

— **Julia Child**
famous chef

Inside this Issue:

Ideas to Make Home Ownership Affordable.....	1, 3
New IRS Taxpayers Bill of Rights	2
In the News: IRS Limits Direct Deposits.....	2
Chances of Being Audited.....	3
Alimony in the Spotlight.....	4



Continued on Page 3

New IRS Taxpayers Bill of Rights

In June, the IRS announced the adoption of a new Taxpayer Bill of Rights. The ten rights are highlighted here for your information. These rights have been in the tax code for years, however per Nina Olson, head of the IRS Taxpayer Advocate Service,

"...taxpayer surveys conducted by my office have found that most taxpayers do not believe they have rights before the IRS and even fewer can name those rights."

The IRS hopes that by centralizing and publicizing these rights, taxpayers will become more aware. How might this impact your experience with the IRS? That is anyone's guess as it is not covered in the IRS Bill of Rights announcement.



IRS

TAXPAYER'S BILL OF RIGHTS

1. THE RIGHT TO BE INFORMED

Taxpayers have the right to know what they need to do to comply with the tax laws. They are entitled to clear explanations of the laws and IRS procedures in all tax forms, instructions, publications, notices, and correspondence. They have the right to be informed of IRS decisions about their tax accounts and to receive clear explanations of the outcomes.

2. THE RIGHT TO QUALITY SERVICE

Taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with the IRS, to be spoken to in a way they can easily understand, to receive clear and easily understandable communications from the IRS, and to speak to a supervisor about inadequate service.

3. THE RIGHT TO PAY NO MORE THAN THE CORRECT AMOUNT OF TAX

Taxpayers have the right to pay only the amount of tax legally due, including interest and penalties, and to have the IRS apply all tax payments properly.

4. THE RIGHT TO CHALLENGE THE IRS'S POSITION AND BE HEARD

Taxpayers have the right to raise objections and provide additional documentation in response to formal IRS actions or proposed actions, to expect that the IRS will consider their timely objections and documentation promptly and fairly, and to receive a response if the IRS does not agree with their position.

5. THE RIGHT TO APPEAL AN IRS DECISION IN AN INDEPENDENT FORUM

Taxpayers are entitled to a fair and impartial administrative appeal of most IRS decisions, including many penalties, and have the right to receive a written response regarding the Office of Appeals' decision. Taxpayers generally have the right to take their cases to court.

6. THE RIGHT TO FINALITY

Taxpayers have the right to know the maximum amount of time they have to challenge the IRS's position as well as the maximum amount of time the IRS has to audit a particular tax year or collect a tax debt. Taxpayers have the right to know when the IRS has finished an audit.

7. THE RIGHT TO PRIVACY

Taxpayers have the right to expect that any IRS inquiry, examination, or enforcement action will comply with the law and be no more intrusive than necessary, and will respect all due process rights, including search and seizure protections and will provide, where applicable, a collection due process hearing.

8. THE RIGHT TO CONFIDENTIALITY

Taxpayers have the right to expect that any information they provide to the IRS will not be disclosed unless authorized by the taxpayer or by law. Taxpayers have the right to expect appropriate action will be taken against employees, return preparers, and others who wrongfully use or disclose taxpayer return information.

9. THE RIGHT TO RETAIN REPRESENTATION

Taxpayers have the right to retain an authorized representative of their choice to represent them in their dealings with the IRS. Taxpayers have the right to seek assistance from a Low Income Taxpayer Clinic if they cannot afford representation.

10. THE RIGHT TO A FAIR AND JUST TAX SYSTEM

Taxpayers have the right to expect the tax system to consider facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely. Taxpayers have the right to receive assistance from the Taxpayer Advocate

Service if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels.

In the News: IRS Limits Direct Deposits

Beginning in January 2015, the IRS will be limiting the number of direct deposits in a single account to three. This includes all bank accounts (savings and checking accounts) and any pre-loaded or pre-paid debit and credit card accounts. Any requests beyond three will automatically be converted to a paper refund check and mailed to the taxpayer.

The purpose of this change is to reduce the problem of taxpayers having their refunds stolen by criminals. Taxpayers who file multiple tax returns for different family members and have the refunds all deposited in a single account may be impacted by this new policy. In addition, this new direct deposit limit also stops the practice of having filing fees directly paid out of a refund amount.

As an additional clarification and form of security, the IRS reminds us that direct deposits must be made to an account bearing the taxpayer's name.

Chance of Being Audited

2013 audit statistics show changes

Provided here are the last three years of IRS audit statistics and a look back to 2008 to see any trends.



Audit Rate Statistics For Individuals

Fiscal Year	2013	2012	2011	2008
All Individual Tax Returns	0.96%	1.03%	1.11%	1.00%
No Income (AGI)	6.04%	2.67%	3.42%	2.15%
Income under \$25,000	1.00%	1.05%	1.22%	0.90%
\$25,000 - 50,000	.62%	.70%	0.73%	0.72%
\$50,000 - 75,000	.60%	.64%	0.83%	0.69%
\$75,000 - 100,000	.58%	.64%	0.82%	0.69%
\$100,000 - 200,000	.77%	.85%	1.00%	0.98%
\$200,000 - 500,000	2.06%	1.96%	2.66%	1.92%
\$500,000 - \$1 million	3.79%	3.57%	5.38%	2.98%
\$1 million - \$5 million	9.02%	8.90%	11.80%	4.02%
\$5 million - 10 million	15.98%	17.94%	20.75%	6.47%
\$10 million and over	24.16%	27.37%	29.93%	9.77%

Note: These audit rates are stated as a percent of total tax returns in each Adjusted Gross Income (AGI) class as claimed on individual tax returns. In general the examinations are for tax returns filed in the previous calendar year.

Observations

Overall audit rates in 2013 have now fallen below 2008 levels. Much of this is due to budget cuts from sequestration per the IRS.

Lower audit rates did not impact those with no AGI or negative income. This group saw a dramatic increase in audits during 2013.

Taxpayers with AGI between \$200,000 and \$5 million saw their returns reviewed at a higher rate.


Have good records


Always retain your tax records and support documents for as long as they may be needed to substantiate your tax return. This is usually three years after the filing due date or when the tax return was actually filed (whichever is later). Include any state record retention requirements as you evaluate when it is safe to destroy old records. Remember some records need to be retained indefinitely. This includes, at minimum, copies of original tax returns, legal documents, confirmation of asset purchases, asset sales and real estate transactions.

Ideas to Make Home Ownership Affordable


Continued From Page 1


your first home. As long as you do not over pay for the condo, you will be building equity for your next purchase.


 **Save money.** Start saving money for a down payment. Ten percent is a good target, with twenty percent being ideal. Remember, regulations make it difficult to take gifts for your down payment. If you have someone willing to support your home purchase, try to receive the down payment gift long before you need it.

 **Check out low down payment lending programs.** There are a number of options to reduce the amount of down payment required on your first home. The most common is FHA. The Veteran's Administration also has a no down payment option. Many local banks have small


down payment requirements when you purchase mortgage premium insurance.


 **Get pre-approved.** Shop banks and financial institutions prior to looking for a home. They can walk you through the financing process, check your credit, and give you an estimate of what you can afford. Have the bank provide a pre-approved letter to help in your negotiations with the seller.

 **Use "handy" to make it affordable.** If you are handy with tools and making repairs, consider targeting a well built home that just needs a face-lift.

 **Use tax breaks.** Forecast your taxes with the benefit of home mortgage interest and property taxes as itemized deductions.

Remember you can also use up to \$10,000 in traditional IRA funds penalty-free to help pay for your first home. You will still owe income tax on the withdrawal, but can avoid the 10% early withdrawal penalty.

 **Buy direct.** Consider alternatives to the traditional home buying experience. Talk to friends and family to network into target neighborhoods and find homes not yet listed. Perhaps you can even find a seller willing to take a contract for deed to save on financing fees.

 **Control the offer.** Offer only what you believe you can afford, not necessarily the seller's asking price. Remember, you are the one that will need to make the mortgage payments in the years to come.

Alimony in the Spotlight

If you pay alimony or receive alimony, you will want to know what is happening at the IRS.

In a recent audit of the IRS by the Treasury Department, it was found that 47% of the tax returns that claimed an income reduction due to alimony payments did not have a matching tax return that claimed the alimony income. The audit found that the IRS did not have an effective way to match tax returns between those paying the alimony and those that should theoretically be claiming the alimony income. To make matters worse, very few penalties were being assessed for failing to correctly identify the taxpayer receiving the alimony payments.

What you need to know

♥ Beginning immediately, the IRS will be assessing penalties on tax returns that do not identify the correct Social Security



Number or Tax Identification Number of the taxpayer receiving the alimony payments.

♥ There will be an alimony-matching program to identify those returns that pay alimony with those that receive it.

♥ If you pay or receive alimony or taxable spousal support payments it is worth checking to ensure your figures match those of your ex-spouse. If they do not, you might just be hearing from the IRS.