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One more tax season is now history and it's time to move on to our "second season:" preparing extended tax returns and doing the many, many other things we do around here. At the same time, there's the expectation of spring, and better weather, and for most of us an increase in the outdoor activities that we Oregonians love so much. But before we plan that next break, let's look at what's happening in the tax and accounting world.

THE NEWS IN BRIEF

◆ **Ponzi Schemes: Here, There, and Everywhere.** . . .By now most of us are familiar with the name Bernard Madoff. . .he's the huckster who pled guilty to charges of bilking thousands of investors for billions of dollars. . .locally, the Register Guard newspaper reported that one Dennis Thaut of Marcola was arrested last month on 17 counts of aggravated theft. . .Thaut operated First Security Financial from a stately Victorian house at 11th and Patterson in Eugene. . .investigators believe he defrauded "about 20 people—most of them elderly Oregonians". . .much of the money Thaut collected from clients was used for his personal expenses and to make "interest" payments to other clients. . .the RG quoted court records as stating that one couple had invested more than \$2 million. . .in response to these ripoff schemes, the IRS has extended tax relief to the victims. . .taxpayers who suffer losses in these situations may treat them as ordinary, not capital, and may deduct them in the year the theft is discovered.

TAX TIPS FOR TOUGH TIMES

With local unemployment rates reaching as high as 14 percent by some estimates, it's time to guard every penny you can. Some ideas:

◆ **Tax Free Unemployment.** The first \$2,400 of unemployment benefits received in 2009 is free from federal tax. . .taxpayers who are married get to exclude up to \$2,400 each. . .unemployment recipients should consider electing withholding on amounts over \$2,400 to avoid a surprise tax bill.

◆ **IRAs.** Owners of traditional IRAs might want to consider converting these accounts to Roth IRAs if their income drops significantly. . .this makes sense if the benefit of ultimate tax free withdrawals from the ROTH outweighs the tax cost of the conversion. . .that tax cost may be little or nothing for taxpayers with little other 2009 taxable income. . .waiting until 2010 gets you an extra benefit: spreading the resulting tax over two years.

◆ **Cancellation of Debt.** Many taxpayers are surprised to learn that having a debt forgiven can actually produce taxable income. . .but up to \$2 million of cancellation of debt may be excluded if it's related to a principal residence. . .debt that's

discharged in bankruptcy may also be excluded; ditto for insolvent taxpayers who have debt forgiven.

◆ **Health Insurance Continuation.** One of the most traumatic aspects of job loss can be health insurance concerns. . .federal and state provisions offer most former employees the right to continue their group coverage after leaving a job. . .previously, the terminated employee had to pay his or her own health insurance premium. . .now, subsidies of up to 65 percent of the premium cost may be available.

◆ **First-Time Homebuyer Credit.** Buying a home in 2009 might get you up to \$8,000 in tax credits. . .taxpayers qualify if they have not owned a home for the three years immediately prior to purchase. . .the credit is phased out for single taxpayers with income above \$75,000, (\$150,000 on a joint return). . .the credit was previously required to be repaid over 15 years but that provision has been waived for 2009 purchases.

THE IRS "DIRTY DOZEN"

The IRS recently released its list of the worst tax schemes, scams, dodges and tricks. Some of the more notable items you might want to be aware of:

◆ **Fivolous Arguments.** Beware the teller of tales that the federal government lacks the constitutional authority to subject your wages to taxes. . .this is an old argument that never works, and a sure ticket to paying not just the tax you owed, but interest and penalties as well.

◆ **Phishing.** This refers to various internet or e mail attempts to make you reveal your tax, bank or other confidential information. . .the perpetrator might pose as your bank trying to "confirm" your account information, or perhaps the IRS alerting you to an "unclaimed refund". . .sophisticated cyber crooks can easily create websites that look, taste and smell like the real deal. . .remember that the IRS never initiates unsolicited e mail contacts with taxpayers about their tax issues.

◆ **Hiding Income Offshore.** Making illegal use of foreign banks or foreign businesses often draws the attention of federal investigators. . .UBS AG, Switzerland's largest bank, recently agreed to pay \$780 million in fines and penalties, as well as provide the US government with the identities and account info for certain US customers. . .trust me, you don't want to be one of those customers.

◆ **Return Preparer Fraud.** Frankly, I was shocked, shocked to learn that any of my co-professionals would engage in this type of activity. . .obviously, however, even some authorized, certified and licensed tax preparers can go crooked. . .falsifying earned income credit refunds and extending abusive refund anticipation loans are two recent gimmicks that come to mind.

OK that's enough indoor work for now. Let's all adjourn to the outdoors and we'll visit again next time in the warm wonderful sunshine of another Oregon summer. In the meantime, avoid travel to Mexico, crowded indoor places, and anyone trying to sell you anything that sounds too good to be true.