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Long, sun-blessed days and cool, star-filled nights; too-short vacations, swimming in the lake, bugs and sunblock. Family, friends, pets and barbecue. And the intuitive understanding by every Oregonian that we must somehow cram an entire year's worth of good-weather activity into a 10-week window. Sweet Oregon summer. Arrives too late, leaves too soon. Still, how wonderful are its visits. But enough waxing poetic about Northwest seasons and on to taxes!

THE HIGH COURT WEIGHS IN

The Supreme Court has spoken and, like it or not, most of "Obamacare" is now the law of the land. Chief justice John Roberts sided with the left wing of the court and upheld the right of the government to assess a "tax" (or "penalty" depending on your political affiliation) on U.S. citizens who do not acquire health insurance. Here are some of the more noteworthy aspects of the legislation:

♦ **Tax Provisions-the Good:** Eligible small employers will continue to receive a tax credit of up to 35% of health insurance premiums paid for employees (50% after 2013) . . .after 2013, eligible low- and middle-income individuals purchasing health insurance receive a tax credit against their premium charge.

♦ **Tax Provisions-the Bad:** After 2012, an additional 0.9% tax will be levied on earnings of high income taxpayers. . .a 3.8% surtax will be assessed on net investment income of high income taxpayers. . .the threshold for deducting medical expenses increases from 7.5% to 10% of adjusted gross income. . .after 2013, anyone not buying qualifying health insurance must pay a surtax. . .large employers not offering qualifying health insurance to employees will also be subject to penalty.

♦ **Other Items:** Children under age 27 may be covered on their parents' health insurance policy. . .after 2014 insurance companies cannot deny coverage to anyone based on a pre-existing medical condition.

TAX FRAUD ON THE RISE

Something about bad economies seems to bring out the worst in some people. In the context of our tax system that means anything goes: from claiming Fido as a dependent to sophisticated tax schemes and scams.

♦ **On the Federal Front:** The IRS recently identified approximately one million tax returns as potentially fraudulent, an increase of 72% from the prior year. . .another million returns were voided as fraudulent before processing could even begin. . .identity theft is an increasing problem. . .all this led to IRS experiencing "unprecedented backlogs" in return processing.

♦ **Why Ask for a Little?** Krystal Reyes of Salem wanted no part of penny-ante tax schemes. . .Reyes was arrested June 6 for fraudulently claiming a $2.1 million Oregon tax refund. . .worse,

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Oregon Department of Revenue processed the bogus return and Reyes wound up with a Visa debit card loaded up for the full refund amount. . . she managed to ring up $150,000 of debit charges before her arrest. . .the fraud apparently went undetected for months, until Reyes reported another card missing. . .she pleaded guilty and was sentenced last week to 5 1/2 years in prison.

CHARITABLE REVIEW:

Two recent court cases highlight the necessity of strictly complying with respect to tax deductible charitable contributions.

♦ **Letter of the Law:** David and Veronda Durden were denied a deduction of more than $25,000 due to a deficient acknowledgement letter. . .the Durdens provided copies of canceled checks totaling more than $22,500, along with a letter from their church acknowledging receipt of contributions in the same amount. . .the entire deduction was disallowed, however, because the acknowledgement letter did not clearly state that nothing of value was received in return, language that is required under the statute addressing charitable contributions.

♦ **$18 Million Mistake:** Joseph Mohamed will never again hire himself as an appraiser. . .Mohamed donated real property worth more than $18 million to a charitable trust. . .the IRS argued, successfully, that the value of a noncash gift must be attested to by a "qualified appraiser". . .Mohamed, a real estate broker and certified appraiser, failed to realize that tax law precludes even a certified appraiser from attesting to the value of his own noncash contribution. . .the entire deduction was denied . . . ouch.

♦ **Strictly Enforced:** A charitable deduction for a cash contribution of $250 or more is not allowed unless the taxpayer can substantiate the donation. . .substantiation must be in the form of a contemporaneous acknowledgement from an eligible organization. . .the acknowledgement must document the amount and date of the contribution, and state whether the recipient gave anything to the donor in return. . .noncash contributions valued at more than $500 must be supported by a written acknowledgment from the charitable organization showing date of the contribution, description and stating whether any goods or services were given in return. . .additionally, noncash contributions valued over $5,000 must have an appraisal attached to the tax return. . .ask Mr. Mohamed about who might serve as a qualified appraiser.

You'll hear lots of talk in the next few months about the "fiscal cliff" to which our country is headed. The phrase refers to a number of draconian deficit-reducing measures that will be automatically triggered December 31 unless Congress acts. (The tax hikes we've discussed previously in the Green Sheet are part of all this.) Don't get caught up in the hype. Expect a last minute compromise after the election and before year-end.

And now back to your previously scheduled Oregon summer.

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