



Not Your Basic Bean Counter

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October 2015

NEWSLETTER

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Politics.....How Did it Get so CRAZY!!!

I have many liberal friends. I have many conservative friends. I am noticing something that is happening on an unprecedented level....something I never anticipated. A LOT of my Democrat friends are getting extremely fed up with their party....AND the slate of Democrats that will be running for the office of President. The exact same thing is happening to a LOT of my Republican friends. Our Congress has the lowest approval rating in American history....and it appears to me that it is a bi-partisan issue (meaning that both sides agree!).

Please do NOT misunderstand me. I am not going to pontificate here on any political issue or candidate. I just want you all to know that the upcoming election campaign may be one of the craziest, dirtiest, nuttiest (is that a word?) and depressing things we have ever witnessed.

FROM MY STANDPOINT.....as this relates to YOU, my clients, I only care about tax law. I am not going to make any predictions about what to expect in 2016 regarding tax legislation. However, I am going to watch with great interest....and I heartily encourage you to do the same. Irrespective of your party preference and candidate preference, push through the inevitable hype, name calling, etc., and really pay attention to what is being said (or promised) about “tax reform”. Mark my words...whatever tax laws get talked about, you can bet that the words “tax reform” will be there. Congress thinks they can pass any tax law if it contains the words “tax reform”. So, in short, keep your eyes open. Don’t believe everything you are going to hear. Pay attention. Stay calm!

WHAT I INTEND TO DO.....I am going to do the same. In addition, I will do my best to report to you those things I hear that have credence. Depending on how crazy and insane it gets, we may want to have some meetings to discuss tax planning opportunities. It’s gonna be a crazy 14 months ahead. It is my intention to be that light on your pathway helping you navigate through the storm!

PLEASE SEND ME “STUFF” YOU SEE/READ/HEAR....this will really help me. Also, feel free to call me with any questions you have about things you see/read/hear. This way, we can all be on the same page, heading in the same direction.

Some Tax Reminders

1. **October 15, 2015, has passed.** Whew! However, there are still some people who have yet to file. That will almost certainly mean that the IRS and Oregon will assess what we call “late filing” penalties. I want to encourage you, if you are one of the procrastinators, to contact us and get your tax information in as soon as possible. Don’t panic....don’t be fearful....just get your stuff in.
2. **WARNING....AGAIN....FOREIGN ACCOUNTS:** I have been warning my clients for years now about how serious the U.S. Government is about taxpayers having assets in foreign countries. There is an annual reporting requirement...and the IRS is on the warpath about this. I have explained the circumstances and issues in prior newsletters, so I won’t do it again here. The potential penalties for noncompliance are gigantic.

True story....I just met with a taxpayer who has not filed tax returns for several years because he/she did not make enough income to file. That’s quite common. However, this taxpayer told me that he/she had \$40,000 in an overseas bank account and has never reported it. This is serious, folks. I think I ruined this person’s day by telling him/her about this. The good news is that I gave him/her the phone number of an attorney who handles just this kind of thing and can possibly get him/her out of any large penalties.

If you know anybody with assets in overseas accounts, please have them call me immediately. I will get them in touch with an attorney who can guide them. This is very serious stuff to the IRS.

IRS Commissioner Says IRS to Ignore 60% of Phone Calls

Speaking about the 2014 tax season (already past us), John Koskinen (IRS Commissioner) told the National Press Club that the IRS will be ignoring over 60% of taxpayers’ phone calls. He said the IRS’s limited budget was responsible for the understaffing and their customer service lines were overwhelmed.

So, seriously, do we think it will be any better for the tax season about to descend on us this January through April 2016?! Not likely.

Our experience is that it is taking an incredible amount of time to resolve even the simplest of matters with the IRS. We do not anticipate this to change....it might even get worse. That also translates into more fees to you! And, believe me, the IRS doesn’t care. They will NOT pay those larger fees. It is a frustrating situation, to say the least.

Like-Kind Exchanges

Did you know that you can defer gain on the sale of real estate (and some other assets as well) if you do a “like-kind exchange”?

The rules are a bit complex....way too much to go over here in any kind of detail. However, let me run you through how it can work so you can see the value of it.

Example: Mike bought 4 pieces of land near Las Vegas 20 years ago. He paid \$20,000 for each lot. He has just held them as investments for the last 20 years. Today, he gets a letter from a realtor in Las Vegas telling him that there are some people interested in buying one of the lots. Mike is surprised, so he calls the realtor and learns that property has really gone up and the potential buyer is willing to pay \$220,000 for one of the lots. Mike pinches himself, breaks out a bottle of champagne, shouts “hallelujah” at the top of his lungs and starts singing.

Mike visits his CPA to find out how this might go down tax-wise. His CPA tells him that the gain is going to be \$200,000 and Mike will have to pay around \$60,000 in Federal and state taxes. Mike says he doesn’t want to pay any taxes. His CPA smirks and says “gee, I’ve never heard that before!”

Mike’s CPA asks lots of questions and determines that Mike doesn’t really need the money right now and would prefer to take the sale money and buy a big rental house in North Bend. Mike even says he has one in his sights and it will cost \$220,000. What a coincidence.

Here’s the problem. If Mike sells the Las Vegas land, he will “net” out only \$160,000 (\$220,000 selling price less the \$60,000 in taxes). So, he will not be able to afford the rental house in North Bend.

Mike’s CPA suggests that he do a “like-kind exchange” whereby he exchanges one property for the other. If Mike can successfully do that (and, yes, there are some hoops that have to be jumped through) he can avoid paying any tax currently.

What do you think of that? It’s a pretty neat way to go if the circumstances fit. There are several variations on this type of transaction. Like I said earlier, I do NOT want to make you experts. I just want to get your attention and alert you to this possibility.

If you think this might work for you or just want to explore it, please give my office a call and set up a meeting with me. I will be happy to discuss this subject with you.

CRAZY VARIATION: Mike owns a huge apartment building in Los Angeles. He does a “like-kind exchange” for 10 rental houses in Coos Bay. Can he “exchange” one apartment building for 10 rental houses? The answer is YES. Come see me and I’ll explain.....good stuff!!!!

Planning For The Unexpected

Don't forget to go to my website, click on the Members Only section, log in with "mag" as the secret password, and print out the "Planning For The Unexpected" pamphlets. They are FREE. I want to get these into the hands of ANYONE willing to bite the bullet and prepare for the unexpected. Please take this seriously. I passed these out at our client party. If you were not able to attend the client party, please get on to my website and print these out. I spent over 30 hours preparing these and I think they are the best out there (I might be a little biased).

IS IT TIME TO GO??

I often ask my business owner clients if it's "time to go". My real motive in asking that is to simply get the ball rolling on the issue of leaving the business. When it's time to go, there are 2 primary ways to accomplish it. First is an outright sale...either to family or a third party. Second is to just walk away....you will hear some tax advisors refer to this as a liquidation.

As you might imagine, there are differing tax consequences to each method. These tax consequences can be planned for and even impacted with careful planning at the front end. I spend a good deal of my time analyzing buy and sell transactions for tax ramifications. I enjoy "playing" with the allocations of purchase price and terms so as to accomplish a desired tax effect (it really can be done)....but it takes serious analysis and upfront planning.

If you are considering leaving your business.....or maybe buying into one.....please contact me. I will want to sit down with you and gather information about the proposed transaction so I can go to work to save you as much income taxes as is possible.

REAL HOLIDAYS YOU MAY NOT KNOW ABOUT!!



Elephant Appreciation Day	September 22
Rabbit Day	September 23
Vegetarian Day	October 1
Toot Your Flute Day	October 4
Bring Your Teddy Bear to Work Day..... AWESOME!!	October 11
Be Bald and Be Free Day	October 14
Back to the Future Day	October 21

From The Desk Of.... *Rhoda Gordon*

"I'm youth, I'm joy, I'm a little bird that has broken out of the egg."Peter Pan

That's Peter Pan...and it's also our granddaughter Alice, who will soon be four. She matches his skill at charming others into launching out from their comfort zones. Only such passionate enthusiasm is contagious enough ("Come on, Gigi! Let's go find some spiders!") to propel me, an arachnophobe, into booby-trapped bushes. Alice *loves* insects, and bugs of all kinds. Slugs, too. One day, helping me in the garden, she was horrified to see a murderous intent in my eyes as I bore down on a slug, spade in hand. Alice screamed "NO!!" So I ended up throwing it over the fence to keep the peace, with instructions to "throw it gently, so it didn't break its bones".

Fortunately, she also loves birds (but maybe not as much as bugs). We were both ecstatic when I spotted a hummingbird nest right outside my living room window, complete with a very hungry baby. Mama bird, the original helicopter parent, swooped in and delivered her payload as we watched. The fueling--tiny beak into even tinier beak—brought home the bacon in the most direct way imaginable.

There is so much new life happening right now. With all the budding, blooming, buzzing, baby lamb bleating and baby bird chirping, it doesn't take a calendar to know that spring has arrived. It's a good time to take a page from Peter Pan's (and Alice's) playbook and break out that inner child!

Easter is almost here; a lot of eggs are about to be boiled. Egg salad? It's a perennial favorite at Mike's office, so I've tweaked and re-tweaked my formula over the years. Feel free to tinker with it and make it your own.

Egg Salad

- 6 eggs
- ¼ cup mayonnaise
- 2 Tablespoons plain Greek yogurt (or sour cream, or softened cream cheese)
- Salt, to taste
- ½ teaspoon freshly ground pepper
- 2 to 3 teaspoons freshly squeezed lemon juice
- 2-3 teaspoons Dijon-style mustard
- 1/4 cup—any combination—finely minced red onion, chives or green
- 1/2 cup celery, finely chopped
- Optional add-ons: Tabasco, sweet or hot paprika, curry powder, fresh dill, minced sweet or dill pickles—all to your personal taste

Put eggs in a saucepan and cover with cold water. (I like to use eggs that have been in the fridge for a week or two because they are easier to peel.) Heat saucepan, uncovered, until the water comes to a gentle boil. Immediately take it off the heat and put the lid on—set your timer for 10 minutes. Meanwhile, fill a largish bowl with ice water. When the timer rings, drain the eggs and shake the pan to make the shells crack against its sides. Drop the eggs into the ice water and leave them to cool.

Peel the cooled eggs and divide the yolks from the whites. The yolks go into a bowl; the whites onto a large cutting board. With a fork, mash the yolks. Chop the whites and add them to yolks in the bowl. Mix the other ingredients and optional add-ins in a small bowl and then stir gently into the eggs. Adjust seasonings to taste; cover and chill.

Delicious with warm pita, toasted bagels or rye crisp. Add lettuce, bacon, tomato. Or stir in some tiny shrimp. Enjoy!



FRAUD UPDATE



Fraud, most often in the form of “embezzlement” is a regular visitor here on the coast of Oregon. It is an area of particular interest to me, as many of you know. I read a monthly publication that addresses this issue. I pour over the annual fraud reports. I also speak to public Boards about internal controls and how to minimize the potential for this type of fraud.

For the record.....in almost every case of embezzlement that I am aware of, it was done by someone totally trusted by the organization. In addition, these embezzlements would NOT have been difficult to thwart. Most people think that you need a PHD in “intelligence” to be able to prevent embezzlement. That is NOT the case. In most situations, the simplest controls could have prevented the embezzlement.

It is the EASY controls that are NOT being put in place....and this makes the field wide open for embezzlement. Maybe I should put on a free seminar for Boards and cover some of this? What do you think? Do you think anyone would come? Let me know.

Medical Marijuana

Lots of talk about the legalization of medical marijuana lately. Lots of states going in this direction. I just want to clear the air about something....a dirty little secret. It seems to me that the IRS has been using medical marijuana for years !!! **NOBODY** could write those insane, complex, dumb, and ridiculous tax laws if they weren't smoking something! I have suspected this for a long time....now I am sure of it. The states want you to think it was their idea to legalize it. No way. The IRS has been enjoying this for a loooooong time!

Checked out our website lately?

I publish each newsletter on my website as well as a lot of other information, articles, etc. Check it out every so often. I welcome any comments and suggestions for improvement!

CLIENT SPOTLIGHT

Oregon Seafoods

Owner, Mike Babcock

Our clients mean a lot to us! This month we are delighted to share one with you in our “Client Spotlight”. Here is a little bit about Oregon Seafoods. Owner, Mike Babcock, has been in our area for five years. Mike sold out of a sawmill operation in Goshen to start up Oregon Seafoods, right here in Coos Bay, Oregon. We are so glad that he did!

Mike grew up in Brownsville, Oregon. He has been a client of our firm for three years now. He found us by looking for an accountant that gave back, and learned that Michael Gordon has donated his time to help Gotta Go Corp Ministries.

Oregon Seafoods is located at 723 S 2nd Street in Coos Bay. Their brand is Sea Fare Pacific and they are a custom processing and packaging facility that converts whole fish to yummy products, like seafood based soups, tuna fish, and smoked items.

In the next five years, Mike hopes to build another plant on the I-5 corridor, and maybe coach some high school basketball.

Something you probably don’t know about Mike, is that he was deathly afraid of earwigs as a child (there’s more to that story). He might even finish that story for you, when you stop by to see him and all the wonderful items that are available.

We hope that Oregon Seafoods continues to serve and flourish in our community for many years to come.

