



# Not Your Basic Bean Counter

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NEWSLETTER

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## **MIKE NEWS: BACK FROM CHINA, QUIT THE TEACHING GIG, CLIENT PARTY/ SEMINAR (YAY!), YEAREND PLANNING MEETINGS AND MORE.....**

**Back from China:** Had a great time! Did you know that Rhoda speaks Chinese? That really helped in many circumstances. Saw Shanghai, cruised the Yangtze River (very smoggy and dirty), saw the famous Panda zoo in Chongking, visited the Terra Cotta Warriors in Jian (pronounced “she –ann”), and spent 3 days in Beijing where we visited the Forbidden Palace, Tiananmen Square and the Great Wall (very impressive). I’ll be glad to tell you more when we see each other.

**Quit the teaching gig:** Most of you already know this, but I quit my huge teaching gig a few months ago. I will still teach several tax seminars in the state of Oregon, but I think I’m done teaching all over the country. My wife seems to be glad...we’ll see, right?!

**Client party/seminar...don’t miss it! SEE PAGE 4 FOR DETAILS:** The “experts” say that a client seminar is a real success if you can get 15-20% of your clients to come. In prior years, we’ve always had close to 50%...that’s unheard of. I hope it’s because of my incredible speaking ability (but I know it’s because of Rhoda’s goodies!).

**Year-end planning:** Tax law has become furiously complex, absurd, scary and downright impossible to navigate without serious upfront planning. Since I will be here this Fall (instead of on the road teaching), my office is gearing up to do some positive year-end planning with any of you brave enough to do it! We are going to call you personally to invite you in for your own special yearend planning meeting. It will be first come, first served for appointments.

These will be meaningful and productive meetings. *You have my word on that.*

## **FRAUD & EMBEZZLEMENT**

I serve on the Board of a state-wide company as the Chair of the Audit Committee. Part of my responsibility is to keep this issue of fraud and embezzlement in the “top of mind” status for the Board and all personnel. I fulfill this duty in many ways. One of those ways is to constantly monitor, read and review articles on this subject. I email a number of these articles to various Board members as well as the Audit Committee.

It occurred to me that my business clients might benefit from this as well. So, I will, periodically, refer to some of these articles in newsletters. I cannot reprint them, as they are too long. However, you CAN call my office, request the articles and we can email them to you (or we can print and you can pick them up).

### **“Lessons From an \$8 Million Fraud”**

The first such article just appeared in one of my CPA magazines. It is the story of a Mr. Nathan Mueller who embezzled nearly \$8.5 million from ING (one of the world’s largest investment banking companies). What is particularly fascinating about this article is that it is told by Mr. Mueller himself! Trust me, you will not be able to put this down. He describes the circumstances that existed that made it possible for him to get away with the crime.....every business owner should read this. And wait until you see how he was caught! I won’t spoil it for you....you’ll have to read it for yourself. Call my office and get a copy.....do it!

### **“What’s Your Fraud IQ?”**

The second recent article is kind of a test with 8 questions (and, then, answers with a great discussion about each issue). Again, this should be mandatory reading for any business owner. Pay attention to the question and answer for #7 (about a whistleblower program). Even though it may appear that this only applies to a larger organization, the principle applies everywhere (and all employees should be aware of this stuff). So, again, call my office and request a copy.....do it!

**OKAY....I truly hope this information will spur some education, enlightenment and action!**

### **Do You Need an RMD?**

Sounds like a medication, doesn’t it? RMD stands for “required minimum distribution”. Basically, Taxpayers must start taking annual RMDs from their traditional IRAs by April 1 following the year in which they attain age 70 1/2. This is important because there can be BIG penalties if this is not done. I want to remind any of our clients who are over 70 1/2 to remember, if this applies to you, to get this done BEFORE yearend.

If you have any questions about this, please don’t hesitate to call our office! We want to keep you legal!

## NON-PROFITS OWE IRS \$875 MILLION

The Tax Inspector General for Tax Administration (TIGTA) has issued a report which notes that some tax-exempt organizations have substantial delinquent payroll taxes. TIGTA is an organization that, among other things, audits the IRS and its programs. It's a great organization and it publishes good reports.

The objective of this latest TIGTA audit was to determine if, and to what extent, tax-exempt organizations have federal tax debt. While organizations that have federal tax-exempt status are not required to pay *income* taxes, they are still required to collect and submit *payroll* taxes. Organizations that are failing to pay their taxes are creating millions of dollars in lost revenue.

Report findings. TIGTA found that a fairly small percentage of tax-exempt organizations are not paying their required taxes. However, the 3.8% (of approximately 64,200 organizations) who are not paying their taxes have nearly \$875 million in federal tax debt. Approximately 69% of the nearly \$875 million in federal tax debt is comprised of payroll taxes and related penalties and interest....that's around \$600 million!

What has the IRS done? IRS has taken collection action on all 25 tax-exempt organizations and most officers of the organizations that TIGTA reviewed. The Code does not authorize IRS to revoke an organization's tax-exempt status for failure to pay payroll taxes.

Officers (and Board members) beware!!! No joke, folks. When an organization is delinquent in paying payroll taxes it is not uncommon to see the IRS pursue action against the officers. The rules for how they can do that are cumbersome and complex, but the bottom line is that every Board member and officer of any non-profit should be fully aware of these rules and take steps to protect themselves. This is not a small thing.

***If you serve on a nonprofit board and would like me to come to one of your Board meetings and discuss this, just call me and let me know. I would be happy to do it...for free. This is important information and needs to be understood by Board members.***

***Another topic that I think is important for people serving on nonprofit Boards to understand is "internal controls". I see and read about SOOOO many nonprofits getting embezzled. It's scary. Most of the time the embezzlement could have been caught (or at least minimized) with just a couple of internal controls installed and monitored. Again, I am always willing to come talk to Boards about this sensitive arena...I even have a report I wrote on this topic.***



# CLIENT PARTY!



**When:** Tuesday, November 11, 2014  
**Where:** Egyptian Theater (Yay!)  
**Food:** Of course! See below.....  
**Time:** 6pm — 8pm



## What's Up?

Since I am no longer traveling 4-5 days a week all over the country teaching tax seminars, we thought it would be a good idea to have another client party. Many of our clients really miss these events.

## Did somebody say "FOOD"?

Absolutely....and not just ANY food. We're talkin' Rhoda Goodies! That's right, Rhoda will be making lots of yummy goods for this party. If there are any of you who do NOT know Rhoda's fame, just ask someone in the community about her.

However, keep in mind that she will be making appetizers....NOT DINNER! So, grab a quick dinner and then head on over.

Now I know that most of you have come to past events simply for her goodies. I don't blame you. It makes me feel a bit inferior, but I'll get over it.

## Schedule of events

There will be a time of mingling from 6pm to 6:30pm...roughly! Then I am planning on speaking to you all for close to an hour about some extremely important tax information - health care tax issues (lots of questions here) and other troublesome tax laws. Then, I plan to talk to you about a very important subject...one that will be difficult to talk about. I have had 3 close friends come down with some serious health problems (all this year...in a very short time). When this happens, the tax and personal issues can be completely overwhelming, especially to a spouse or significant other. I and my staff have helped. However, we realize that most people are NOT prepared for this! This is not acceptable to us. We are going to put together something that will REALLY help prepare you for this kind of tragedy.



**PLEASE MARK YOUR CALENDAR FOR THIS EVENT.**

## What happens if I get audited?

The fear of being audited has been determined to be very high on the list of things that cause major anxiety. That's probably not news to you. But let me point out the best approach to surviving an audit. It's simple...

### **DO THINGS RIGHT!!**

Does that just sound a bit too simplistic? It's not. It is the foremost thing you can do to survive an audit.

Now, once you've done that, let your tax professional (that would be me) handle the audit. Don't get on your "I'll show them" horse! You can legally authorize the IRS to deal with me. That's the smart choice. I will always keep you informed about what is going on. You will be intimately involved...but I will have the contact. This is NOT about me being a control freak. It's about containing the event in a judicial manner!

Next, never listen to those "tax gurus" who tell you that the IRS is afraid of them and the best way to handle IRS agents is with aggression and adversity. Not true. In all my years, I have only had to be harsh with an IRS agent once...and that person deserved it. But that is the exception.

Critical Action: Bring me copies of all IRS and State notices *immediately*. Many people just "sit" on these notices hoping they will go away. They never do. And, most notices have a deadline date for responding. Don't wait until the a week before the deadline to come in and see me! When you come in that late, I can rarely help. Once in a while I can pull a rabbit out of the hat, but not very often when you procrastinate so long.

Outside Help: Occasionally, after assessing the information and nature of the IRS inquiry, I will call on a specialist (and I know several outstanding ones). If that happens, I will alert you ahead of time.

And now, just sit back and enjoy the flight!

