

Absolutes

Planning for Death and Taxes

Our Mission Statement

*To Provide Tax and Business Consulting Services
that Drive Innovative Wealth Building Solutions*

- ▶ 2009 TAXES 1
- ▶ THE IRS WANTS YOU..... 2
TO PAY
- ▶ DEPENDENTS & DEDUCTIONS..... 3
- ▶ FEATURED STAFF MEMBER..... 4

2009 TAX PREPARATION

The 2009 tax season is here. It is time to gather some important supporting documentation and schedule a meeting with one of our tax professionals to prepare your 2009 business and personal tax returns. To make tax preparation as effective and efficient as possible, it is important to gather and bring all the information necessary to complete your taxes.

Personal Tax Returns

The following list of items are examples of supporting documentation necessary for the preparation of your personal taxes:

- W-2 and 1099 statements;
- Record of alimony received or paid;
- Statement of commissions received;
- Year-end brokerage account statements;
- Record of estimated tax payments;
- Rental property income and expenses;
- Partnership, S Corp, Trust, and Estate records;
- Donation receipts;
- IRA contributions;
- Child care expenses;
- Medical expenses;
- Unreimbursed expenses; and
- Foreign taxes paid.

Business Tax Returns

The following items are examples of documentation necessary to prepare your business taxes:

- Financial Statements;
- QuickBooks company files;
- Automobile mileage logs;
- Year-end bank reconciliations; and
- Bank statements.

We can also provide you with a more detailed tax organizer that includes the items outlined above and a questionnaire. This will provide us with a more complete picture of your tax position.

You can print the tax organizer and check off items as you gather them. Once you have gathered the required information, please call our office to schedule a meeting.

To receive a copy of the tax organizer and questionnaire, please contact our office by telephone or email. Sarah Ware or Linda Hoaglund will be happy to assist you with this matter.

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What happens when you are not able to pay your tax liability? The IRS will usually first attempt to collect unpaid taxes through voluntary payment arrangements. If this option fails, the IRS may then turn to enforced collection methods. The IRS has strong powers it can use to enforce the collection of debt including liens, levies, and seizure of personal or business assets. The best bet is to work with the IRS to reach an amicable agreement.

Short-Term Payment Extension

If you are temporarily unable to pay your tax liability, you may be eligible for a short-term extension of time to pay of up to 120 days. There is no fee. You can make the request through the IRS's website, and you will usually receive written confirmation within 10 days.

Installment Agreements

You may also be eligible to pay in monthly installments if you cannot make the full payment within 120 days. The IRS *must* approve the installment agreement if you meet the following conditions:

- The tax liability is \$10,000 or less;
- The tax liability can be paid within 3 years;
- All tax returns during the 5 years prior to the year of liability have been filed and paid;
- All tax returns due during the agreement period must be filed and paid; and
- There has been no previous installment agreement within the last 5 years preceding the year of liability.

You can apply for a “streamlined” installment agreement through the IRS's website if your unpaid liability (including tax, assessed penalties, and interest) is \$25,000 or less and you can completely pay the liability within 60 months. You do not have to directly contact the IRS or provide extensive financial disclosure.

The last option is a traditional installment agreement. However, this option involves extensive financial disclosure. The IRS will conduct a comprehensive finan-

cial analysis to determine the amount and duration of the payment plan.

Offer in Compromise

Another option is to make an offer in compromise (OIC). The IRS may accept less than full payment of your tax liability on one of several grounds:

- Doubt as to the amount of the liability owed;
- Doubt as to the ability to pay the liability in full;
- Effective tax administration under exceptional circumstances; or
- Collection will create economic hardship.

You must provide evidence to support an assertion of doubt as to the liability of the amount owed. The amount acceptable to the IRS depends upon the degree of doubt found in the particular case. In the case of inability to pay, the amount offered must exceed the total value of your equity in all your assets, and must give sufficient consideration to present and future earning capacity. The IRS may allow you to reduce the tax liability if you can prove it will cause economic hardship for you and your family, such as preventing you from meeting necessary living expenses.

In some cases, the IRS may not accept an OIC even if it causes you or your family economic hardship. However, the IRS may allow you to delay collection until your financial condition improves. After approximately one year, the IRS will review your case to determine if the hardship still exists. Penalties and interest will continue to accrue during such period.

Bankruptcy

Bankruptcy is an option, but you should consider the effects it will have on your overall financial situation. A bankruptcy petition will place a “stay” on further IRS collection actions. The IRS must file a claim for the unpaid taxes with the bankruptcy court. The court will determine whether and when these taxes are to be paid. Certain taxes may be discharged if they cannot be paid from the bankruptcy estate. Discharge is generally limited to taxes incurred more than three years before the bankruptcy petition is filed.

(Continued on page 3)

(Continued from page 2)

Liens, Levies, and Seizures

The IRS has a formidable array of powers to enforce collection and has the authority to take enforcement action 10 days after the first notice and demand for payment of the unpaid tax. However, the IRS will normally send several notices asking for voluntary payment before any enforcement actions are taken.

If you do not respond to the notices, you will receive a Notice of Intent to Levy by certified mail. Enforcement actions will begin 30 days thereafter unless you request an Appeals Office Collection Due Process Hearing to consider collection alternatives. Enforced collection actions include filing a Notice of Federal Tax Lien, serving a Final Notice of Intent to Levy, and/or the seizure and sale of your property.

The IRS can levy property in your possession (automobile, house, etc.) or in the possession of a

third party (employer, bank, etc.). The IRS must obtain court approval to seize your personal residence, but it can then sell the property to satisfy the tax bill. You will receive notice of the intent to sell the property. The sale can be canceled if you redeem the property before the sale, or make other arrangements to pay the tax bill.

It is important to hire an attorney to negotiate with the IRS to protect you from error, abuse, and intimidation. An experienced attorney already knows the best arguments to make in your favor and is in a better position to negotiate on your behalf. An attorney understands the process and knows which property is protected from levy by the IRS.

If you currently have a tax controversy with the IRS, please call Susan Martinez at (713) 341 2740 to schedule a consultation. She can assist you in arriving at the best solution possible for your circumstances.

DEPENDENTS & DEDUCTIONS

For a taxpayer to claim someone as a dependent and take a \$3,650 dependency exemption deduction in the 2009 tax year, the person must be a qualifying child, a qualifying relative, or a person designated as your dependent on Form 8832 (waiver of exemption by custodial parent) or 2210 (multiple support agreement). The summary below provides an overview of each of the qualifying categories.

Qualifying Child

The tax law has six conditions for a child to be considered your dependent:

1. The child must be your son or daughter, step-child, foster child, or your grandchild. A child can also be your sibling or any of your sibling's children or grandchildren.

2. The child must be younger than you, under age 19 by the end of the year, or under age 24 and a full-time student for at least 5 full months in the year. The child may be any age if permanently and totally disabled.
3. The child must live with you for more than half the year, with some exceptions.
4. The child must not provide more than half of his or her own support..
5. The child, if married, does not file a joint return with his or her spouse unless it's only to obtain a tax refund.
6. You, and not someone else, is entitled to claim the exemption (see the discussion about divorce below).

(Continued on page 4)

(Continued from page 3)

Parents Sharing Child Custody

When parents divorce, separate, or were never married, a child is treated as a dependent of the custodial parent. This parent has physical custody of the child. If the parents share custody, the parent with custody for the greater number of nights during the year is the custodial parent. If these nights are equal, then the parent with the higher adjusted gross income is the custodial parent. The non-custodial parent can claim the exemption only if the other parent signs Form 8332 to waive the custodial parent's right to the exemption.

Qualifying Relative

To claim a dependency exemption for someone other than a qualifying child, the person must qualify for all of the following four conditions:

1. The person cannot be your qualifying child or a qualifying child of anyone else.

2. The person must be either your relative or a person who is a member of your household.
3. The person's gross income must be less than \$3,650.
4. You must provide more than half the person's support for the year.

Multiple Support Arrangements

If a group of taxpayers contributes more than 50% of support to a person, then any taxpayer in the group contributing 10% or more of the support may be eligible for the exemption. The group must decide who will claim the exemption and sign Form 2210, Multiple Support Declaration, to show this designation.

The exemption in this case can be claimed for someone related to you or someone who lives with you for the full year as a member of your household.

Featured Staff Member

Joe Ketcham joined the firm as a tax manager in December 2009. He received his B.B.A. in Accounting from the University of Houston in 1988 and his CPA certification in 1991. With more than 24 years of experience in public accounting, Joe's expertise includes tax preparation, review, and consulting for all entity types. He has extensive experience working with individuals and businesses in retail, real estate & property management, health care, construction, and professional services.

Joe's focus is on developing the tax practice of the West Houston office and training and managing personnel and resources. He is a member of the American Institute of Certified Public Accountants, the Texas Society of CPAs, and the Houston CPA Society. Please join us in welcoming him to the firm. We are sure he will be an invaluable resource for our clients.

We Can Help Make Your Decisions Work For You. We Provide the Following Services:

Asset Protection
Wealth Preservation
Buy-Sell Agreements
Business Sales
Residential Mortgages
Business Acquisition

Probate
Wills & Powers of Attorney
Business Succession Planning
Family Limited Partnerships
Commercial Mortgages
Tax Controversy

Tax & Estate Planning
Business Control
Business Organizations
Charitable Remainder Trusts
Asset/Debt Restructuring
Estate & Gift Tax Preparation