



A Look Inside This Month's Issue

July 2011

- > Tax Filing Extension Update & Tax-Exempt Organizations.....1
- > FBAR Extension Deadline.....2
- > Individual Tax Return Preparation.....2
- > The Expert's Corner (Q&A On Fighting the IRS).....3
- > What Is Your Time Worth?.....4
- > July's Featured Staff Member.....4

Absolutes

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Planning for Death and Taxes

Our Mission Statement

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

Tax Filing Extension Update & Tax-Exempt Organizations

Tax Filing Extension Update

Read below to find out information regarding the final ruling for automatic extensions issued by the IRS.

The automatic six month filing extension for certain partnership, estate and trust returns has been shortened to five months. The IRS announced its final judgment recently, which makes these returns due September 15th annually.

The initial change to an automatic five month extension began in 2008. Since then, the IRS and the Treasury Department have worked together to make this change permanent for most partnership, estate and trust returns.

Initially, the IRS was concerned that taxpayers with ownership in or who benefit from these entities would not receive the information they need to complete individual or corporate tax returns. So in 2008 the agency adopted the five month extension ruling.

The driving force behind the final judgment was to give taxpayers additional time to prepare for corporate and individual returns and who may need information from these partnership, estate and trust returns.

The IRS hopes the final ruling of the extension deadline will help taxpayers gather the vital information they need to complete other returns.

Tax-Exempt Organizations : Revocation Lists

The IRS is cracking down on tax-exempt organizations who no longer qualify to use this status.

According to the IRS, roughly 275,000 organizations automatically lost their tax-exempt status for failure to file annual reports for the past three consecutive years.

Many people associate a non-profit organization as being tax-exempt. Non-profit applies to the state level. Tax-exempt applies to the federal level.

In 2006 the Pension Protect Act was established by Congress. This act requires tax-exempt organizations to file annual returns or notices. Failure to submit these reports for three consecutive years results in automatic revocation of this status.

In addition to the revocation, the IRS has now posted lists of the entities that can no longer be considered tax-exempt on its website. These lists can be used for donors to verify the status of an organization prior to making a contribution. This extra step in verification will clarify if contributions are tax-deductible and helps the IRS narrow in on organizations improperly claiming to be tax-exempt.

For a complete list of organizations whose tax-exempt status have been revoked, please visit the IRS website.

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FBAR Filing Extension Deadline—What Does This Mean?

The New Standard Mileage Rate

The arrival of summer typically brings with it higher gas prices. The IRS recently increased the standard mileage rate for operating a vehicle for business purposes from 51 cents to 55.5 cents per mile. This updated rate will be in effect from July 1, 2011, through December 31, 2011.

In the May issue of *Absolutes* we discussed the difference between using the standard mileage rate and actual car expenses. The cost of actual car expenses cannot be used if a taxpayer chooses to use this standard mileage rate.

The IRS has recently extended the deadline for filing an FBAR for certain individuals. Read the summary of the updated deadline below to determine who benefits from this extension.

An 'FBAR', a Report of Foreign Bank and Financial Accounts, is typically filed with the IRS when foreign accounts exceed \$10,000 in aggregate value during a calendar year. Certain individuals with signature or other authority over foreign accounts have recently been given an additional filing extension to report these accounts.

An Updated Deadline

The filing date has been moved from June 30, 2011, to June 30, 2012 for select individuals. The IRS, in conjunction with the Financial Crimes Enforcement Network (FinCEN), are clear to distinguish below for whom this updated deadline applies.

Who Is Affected?

- "An employee or officer of a regulated entity (as specified in the FBAR regulations) who has signature or other authority over and no financial interest in a foreign financial account of another entity more than 50 percent owned, directly or indirectly, by the regulated entity (a 'controlled person')."

- "An employee or officer of a controlled person of a regulated entity who has signature or other authority over and no financial interest in a foreign financial account of the regulated entity or another controlled person of the regulated entity." This deadline does not apply to entities that are privately held or not registered with the SEC.

Individual Tax Return Preparation

Tax preparation is one of the principal activities that takes place at the firm. Our tax preparers specialize in business as well as individual tax preparation.

Tax Work—Not Just For Businesses

The tax team specializes in maximizing the savings for clients that own or operate businesses and also for those that do not. The firm's tax preparers are well-versed in handling a variety of different federal and state returns for businesses and individuals. They continually assist helping individuals reduce their taxes and plan for the next tax year for maximum savings.

Personal Tax Work

Whether you are you a business owner or someone who is looking for more ways to reduce your annual tax bill, our tax team is available for help. We recommend meeting with one of our professionals to discuss your previous and future personal tax returns.

To speak with one our tax professionals regarding your personal tax preparation, please call our office at (713) 341-2740.

The Experts Corner—Q&A on Fighting the IRS

Gene McCain is an attorney at LRC who specializes in tax controversy and has spent years dealing with the IRS on behalf of clients. We asked him a few common questions regarding what to do when the IRS contacts a taxpayer. Should you immediately seek the advice of an attorney? What can you do to get in good standing? Read Gene's answers below to effectively dealing with the IRS.

1. I have not filed my tax return in several years—what do I do?

This actually occurs more often than you might think. However, it is a crime not to file tax returns. You need to go ahead and bring these current, even if you are not able to pay any tax that may be due with the returns. You can then consider options, such as a payment plan, to address any balance that may be due. This can typically include late filing and payment penalties and interest. If your tax return was due, with extension if applicable, more than three years ago, you might not be entitled to a refund for the older years, but you need to file them anyway. You can generally limit the number of tax returns to seven, including the current year.

2. If my spouse handled all of the finances for the household and there was a tax problem that I was unaware of, can I seek relief from the IRS?

Yes, in many cases you can seek relief. This is called Innocent Spouse Relief. Success depends on the specific facts. This works best if you had little involvement or input with the financial matters during your marriage. Your chances improve if, for example, you did not sign tax returns or were unaware of your spouse's income and/or improper tax positions claimed on the tax returns. Even if your situation does not fit all of these facts, you still might have sufficient grounds for relief.

3. What do I do if I receive a letter from the IRS regarding unpaid taxes?

Some IRS letters are simply notice letters that have no real enforcement behind them, and others must be taken very seriously. However, it is frequently difficult to tell just by reading the letters unless one is familiar with IRS' procedures. In some cases, the IRS actually sends out a series of letters before they take actions such as bank or wage levies.

Some of these letters sound threatening, and even set deadlines, but the only real consequence is that penalties and interest just continue to grow until the tax is paid in full. Other letters, however, set important deadlines that must not be missed, or there will be real and often serious consequences.

If you receive a letter from the IRS, do not ignore it, but seek advice from someone who understands these letters and can assist you in making an appropriate response. In any case, we recommend that you not call the IRS yourself, as you may end up giving up your rights or find yourself with undesirable results.

If you have questions regarding a notice you have received from the IRS or are seeking general guidance about unpaid taxes, please call our office at (713) 341-2740.

What Is Your Time Worth?

In this new section which features pieces from our staff, Associate Attorney James Nestor writes about some of the difficult questions many business owners face.

When deciding whether or not to hire a planning professional, many business owners and entrepreneurs think to themselves, "*Why can't I just do this for myself?*" In an age where you can seemingly learn everything from the internet or some other source, does it really make sense to hire professionals to assist your business?

The first response to this question deals with experience and the quality of the work product that you expect. An attorney or accountant necessarily has more experience and thus more basic "know how" regarding their respective fields than a business owner who is not similarly specialized.

There are "tricks of the trade" that can make big differences in any field, and by forgoing

professional expertise, you necessarily miss the benefit of a professional's accumulated experience.

On a more fundamental level, however, we have the question of time. As a business owner, time is always a commodity in short supply. When you work 60 or 80 hours a week, every minute counts. A professional, in addition to their knowledge in the field, also has experience that allows them to get the job done much more quickly than someone who is trying to teach themselves.

When you think that a professional bookkeeper might take an hour to accomplish a task that someone else might spend an entire day muddling through, it puts things into sharp relief. What is the opportunity cost of "doing it yourself"? What is your time worth? And perhaps the question is not whether you can afford to hire a professional, but whether you can afford not to.

July's Featured Staff Member

Whitney Winston, a bookkeeping consultant for the firm, has been recognized as this month's featured staff member.

Whitney has more than 10 years of experience in public accounting and private industry. Prior to joining LRC, she worked for several Houston-based oil companies as a bookkeeper, accounting manager, and personnel manager. Currently, Whitney provides clients with bookkeeping software support, training, and management.

Whitney reviews clients' books to get their finances up-to-date and in compliance. She works to give clients an accurate picture of their financial situation for their businesses. She has also been instrumental in building the bookkeeping department. Please join us in congratulating Whitney for her dedication and excellence.



**Whitney
Winston**

How can our team of professionals help you or your business? We specialize in the following services:

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

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

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