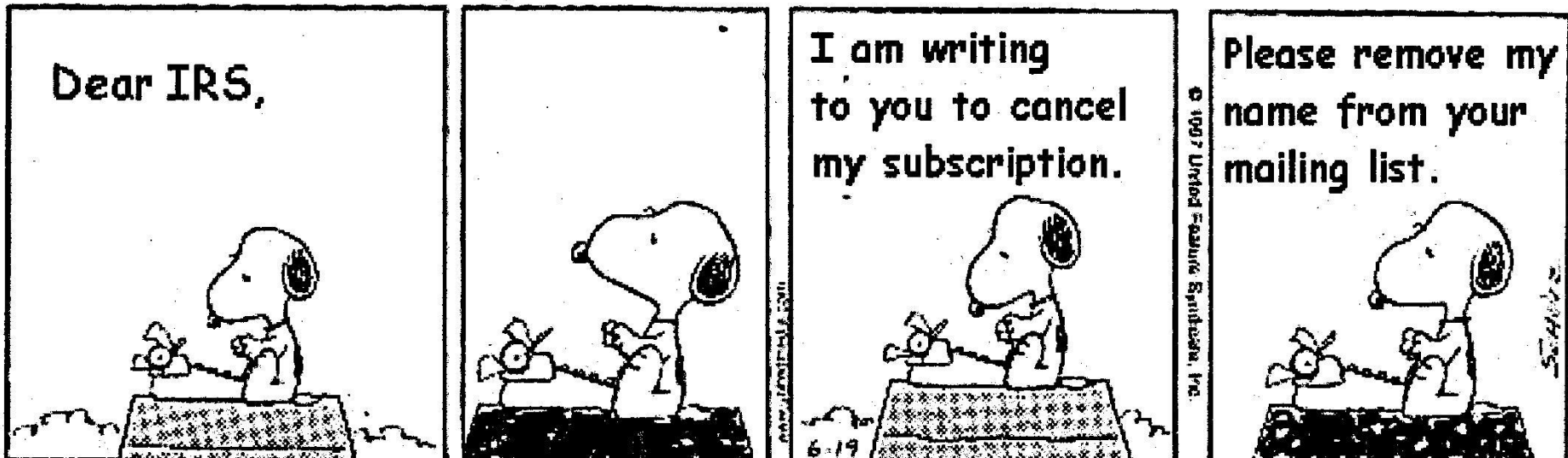


# WELCOME

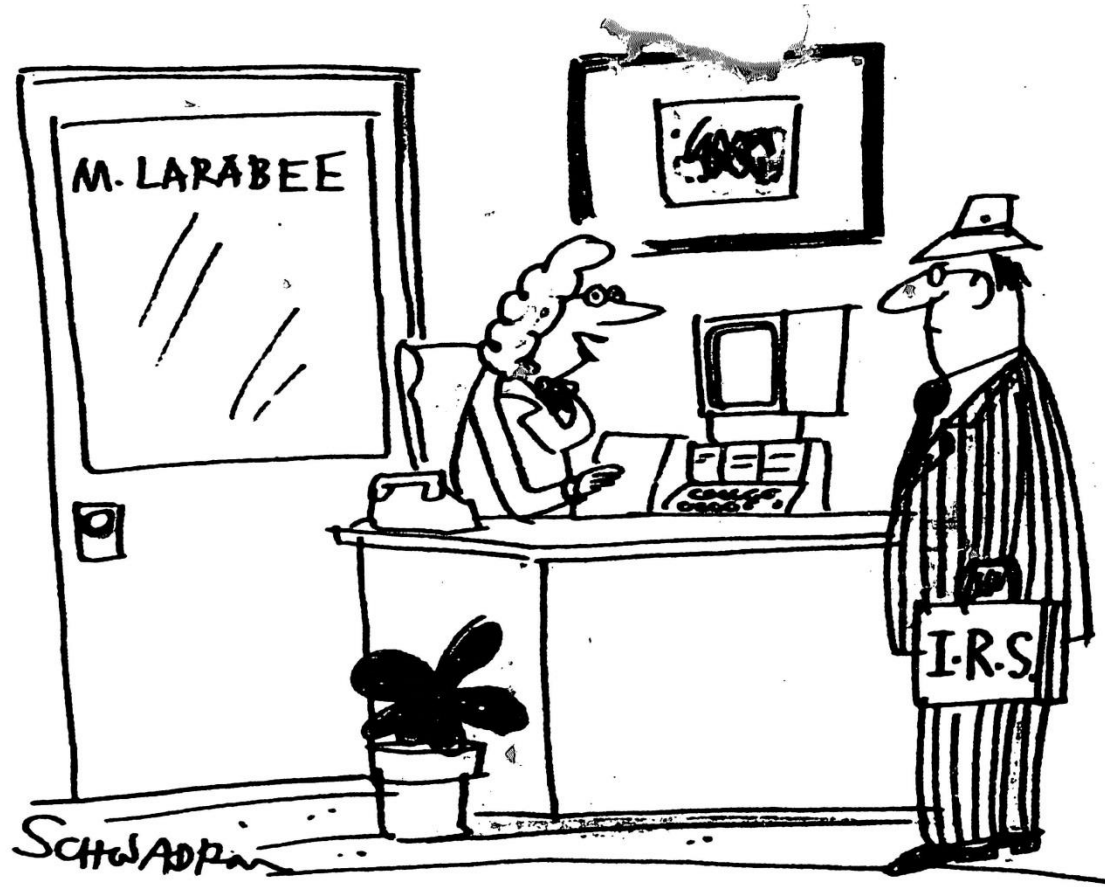
TAX INFORMATION  
FOR  
THE SMALL BUSINESS

# PRESENTED BY

Carlton T. "Tony" Larrabee E.A.



# BEFORE THE "NEW FRIENDLIER" IRS



ILLUSTRATED BY HARLEY SCHWADRON

**"I'm sorry, Mr. Larabee says he won't negotiate with terrorists."**

# A LITTLE ABOUT ME (WHY I DO AN LIKE DOING WHAT I DO?)

Grew up in retail auto business

1. Survived a board of equalization audit for a dealership I was running!

Owned a catering truck business.

1. Survived another board of equalization audit.
2. As a result of poor tax planning it became necessary for me to negotiate an offer in compromise with the IRS (see next slide)

Owned a mortgage and real estate company for 10 years.

1. Had property management client that owed IRS (per their figures) over 1 million!
2. Client was also on State of California's most popular list!

# A THANK-YOU NOTE FOR ME PAYING OFF MY OFFER!!!!



INTERNAL REVENUE SERVICE  
Fresno Service Center

Department of the Treasury  
Internal Revenue Service  
P.O. Box 12067, Fresno, CA. 93776  
MS 81102

TIN: XXXXXXXXXX Offer XXXXXX  
Refer Reply to: 8988925887  
Date: March 14, 2002 FLPD

Carl T. Larrabee  
P.O. Box 824  
Upland, CA 91785

Dear Mr. Larrabee,

Thank you for your payment on your accepted Offer in Compromise. You have met the payment provisions of the offer and a request for a release of any tax liens you may have has been sent to the district office. It will take approximately 30 days for the release to be recorded with the county recorder's office, you may obtain a copy of the release from the county recorder's office after that time.

Remember that an important part of the compromise contract is that you must remain in compliance, file and pay your taxes timely, for five (5) years from the date of acceptance. In addition, any refund from the year your offer was accepted will be offset to the periods compromised.

If you have any questions, please call me at (559) 443-7655 between the hours of 6:00 a.m. and 2:00 p.m. (PST) or write to the address on the enclosed envelope.

Thank you for your cooperation.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "David", written over a horizontal line.

David Perehoduk  
Offer Technician

# 222 N. SEPULVEDA, EL SEGUNDO, CA





Find: miller Previous Next Options 1 match

Hom, Mon B & Lam, Mimi	Los Angeles, CA 90010	\$6,210,228.62	\$6,210,228.62	03/22/1995	State Bar of California	Active	057338
Bren, Steve M	Laguna Beach, CA 92651	\$5,741,107.91	\$5,741,107.91	03/20/2009			
Rheinschild II, Rudolph W	Ketchum, ID 83340	\$3,185,426.32	\$3,185,426.32	02/17/2011	Contractor's State License Board Department of Real Estate	Inactive Suspended	723677 0840087
Chan, Hiu K	San Francisco, CA 94115	\$2,487,562.79	\$2,487,562.79	09/26/2012			
Halstead, James R	Corona, CA 92880	\$2,033,838.32	\$2,033,838.32	10/09/2012	Department of Insurance	Revoked	511677
Cooksey, Jimmy D	Bowling Green, KY 42101	\$1,895,020.46	\$1,895,020.46	05/01/2008			
Lazar, Gary	Tustin, CA 92780	\$1,792,575.00	\$1,792,575.00	12/21/2012			
Georgiou, George	San Francisco, CA 94107	\$1,690,993.03	\$1,690,993.03	02/02/2007			
Halferty, James L & Marykaye	Pasadena, CA 91105	\$1,485,147.86	\$1,485,147.86	05/09/2012			
Harder, Jon	Bend, OR 97707	\$1,338,323.65	\$1,338,323.65	11/02/2011	Department of Insurance	Inactive	0B32022
Lowson, Kenneth J	Los Angeles, CA 90025	\$1,325,438.49	\$1,325,438.49	03/16/2010			
Miller, Harry J	Los Alamitos, CA 90721	\$1,179,863.01	\$1,179,863.01	03/01/2012			
Flaherty, Vincent	Pacific Palisades, CA 90272	\$1,172,091.61	\$1,172,091.61	05/21/2008			
Michaelides, Yianni & Victoria	Riverside, CA 92504	\$1,143,600.82	\$1,143,600.82	03/30/2009			
Williams, Micah S	Woodland Hills, CA 91364	\$1,137,485.44	\$1,137,485.44	02/23/2012			
Silva, Arthur N	Vista, CA 92085	\$1,126,234.72	\$1,126,234.72	03/17/2010			
Dewsnup, Wynn R & Jeannine	Almo, ID 83312	\$1,105,411.65	\$1,105,411.65	04/23/2009			
Palmer, William H	Menlo Park, CA 94025	\$1,104,332.87	\$1,104,332.87	10/10/2012			
Tran, Minh H	Huntington Beach, CA 92647	\$1,036,631.23	\$1,036,631.23	06/25/2012			

# Certificate of Enrollment

This is  
To Certify That

**Carlton T. Larrabee**

Is Enrolled  
To Practice  
Before The

**INTERNAL REVENUE SERVICE**



Effective The  
Day Of

**December 12, 2011**

Enrolled Agent  
Number

**00101519-EA**

Department of the Treasury  
**Internal Revenue Service**

A handwritten signature in black ink, appearing to be "C. D. H.", written over a horizontal line.

Director,  
Office of Professional Responsibility



## **WHAT IS AN ENROLLED AGENT**

**Enrolled agents (EAs) are America's Tax Experts. EAs are the only federally licensed tax practitioners who specialize in taxation and also have unlimited rights to represent taxpayers before the IRS.**

# WHAT DOES THE TERM “ENROLLED AGENT” MEAN?

“Enrolled” means to be licensed to practice by the federal government, and “Agent” means authorized to appear in the place of the taxpayer at the IRS. Only enrolled agents, attorneys, and CPAs have unlimited rights to represent taxpayers before the IRS. The enrolled agent profession dates back to 1884 when, after questionable claims had been presented for Civil War losses, Congress acted to regulate persons who represented citizens in their dealings with the U.S. Treasury Department. -

## **WHAT ARE THE DIFFERENCES BETWEEN ENROLLED AGENTS AND OTHER TAX PROFESSIONALS? -**

Only enrolled agents are required to demonstrate to the IRS their competence in all areas of taxation, representation and ethics before they are given unlimited representation rights before IRS. Unlike attorneys and CPAs, who are state licensed and who may or may not choose to specialize in taxes, all enrolled agents specialize in taxation. Registered tax return preparers have passed a minimal competence test on tax forms for individuals, and have only limited representation rights -

# SMALL BUSINESS TAXING AUTHORITIES

*Everyone just wants money!!!!!!!!!!*

## County

Recorders office

Fictitious business name

Needs to be published

Treasurer-Tax Collector / Assessor

Personal property tax

## WHO MUST FILE

The Revenue and Taxation Code of the State of California requires that every person who owns, claims possesses, or controls business property (i.e., machinery and equipment, office furniture, tools, molds, dies and fixtures) on January 1 of each year, shall file a written Business Property statement, upon the request of the Assessor.

Form 571-L **(Needs to be filed by April 1)**



# CITY OR MUNICIPALITY

Business License / Permit

This is also a tax that is can be based on gross income, number of employees or office size

## CAUTION

IF YOU ARE A BUSINESS DOING BUSINESS IN MULTI CITIES EACH CITY WILL REQUIRE A BUSINESS LICENSE. *Example* , Contractors, Pool Services, Maid services, etc.

Business's needing building permits, the city will require you to purchase a business license at time of permit application.

Note, I *will not pay* any penalties but I have heard that ignorance has been successively used as a defense !

# STATE OF CALIFORNIA

State Board of Equalization

Sales / Use Tax

Purchase for resale

Resale permit



*It is a misdemeanor to issue a resale certificate to a seller to evade payment of tax. Each offense is punishable by a fine of \$1,000 to \$5,000 or imprisonment for up to one year in the county jail, or both.*

## Use Tax

A tax paid on items purchased out of California for use in California. If you are not required to have a resale permit you can report your use tax on your California tax returns

# STATE OF CALIFORNIA



## Employment Taxes

Required when you pay an employee over \$100

(special rules for household workers)

### Unemployment

New business 3.4% for 2 to 3 years until \$ 7000 in wages paid

Rates can vary based on employer experience

### Employment Training Tax

.1% up to \$7000 in wages

**UNEMPLOYMENT AND EMPLOYMENT TRAINING TAX ARE NOT DEDUCTABLE FROM EMPLOYEE WAGES**

Need to register with EDD and is paid according to size of business



# IS THAT WORKER AN EMPLOYEE

IRS 20 Factors and 3 Categories of Control

## Revenue Ruling 87-41: The Twenty Factors

To help determine whether a worker is an employee under the common law rules, the IRS identified 20 factors that may indicate whether the employer can exercise enough control to establish an employer-employee relationship. These factors, set forth in Revenue Ruling 87-41, were based on the circumstances that the courts identified and relied upon to decide whether an employment relationship existed. Not all the factors must be present to find an employee/employment relationship, but the factors are guides to use to assess the likelihood as to whether an individual is an employee or an independent contractor.

(1) **Instructions.** An employee must comply with instructions about when, where and how to work.

The control factor is present if the employer has the right to require compliance with the instructions.

(2) **Training.** An employee receives on-going training from, or at the direction of, the employer. Independent contractors use their own methods and receive no training from the purchasers of their services.

(3) **Integration.** An employee's services are integrated into the business operations because the services are important to the business. This shows that the worker is subject to direction and control of the employer.

(4) **Services rendered personally.** If the services must be rendered personally, presumably the employer is interested in the methods used to accomplish the work as well as the end results. An employee often does not have the ability to assign their work to other employees, an independent contractor may assign the work to others.

(5) **Hiring, supervising and paying assistants.** If an employer hires, supervises and pays assistants, the worker is generally categorized as an employee. An independent contractor hires, supervises and pays assistants under a contract that requires him or her to provide materials and labor and to be responsible only for the result.

(6) **Continuing relationship.** A continuing relationship between the worker and the employer indicates that an employer-employee relationship exists. The IRS has found that a continuing relationship may exist where work is performed at frequently recurring intervals, even if the intervals are irregular.

(7) **Set hours of work.** A worker who has set hours of work established by an employer is generally an employee. An independent contractor sets his/her own schedule.

(8) **Full time required.** An employee normally works full time for an employer. An independent contractor is free to work when and for whom he or she chooses.

(9) **Work done on premises.** Work performed on the premises of the employer for whom the services are performed suggests employer control, and therefore, the worker may be an employee. Independent contractor may perform the work wherever they desire as long as the contract requirements are performed.

(10) **Order or sequence set.** A worker who must perform services in the order or sequence set by an employer is generally an employee. Independent Contractor performs the work in whatever order or sequence they may desire

(11) **Oral or written reports.** A requirement that the worker submit regular or written reports to the employer indicates a degree of control by the employer.

(12) **Payments by hour, week or month.** Payments by the hour, week or month generally point to an employer-employee relationship.

(13) **Payment of expenses.** If the employer ordinarily pays the worker's business and/or travel expenses, the worker is ordinarily an employee.

(14) **Furnishing of tools and materials.** If the employer furnishes significant tools, materials and other equipment by an employer, the worker is generally an employee.

(15) **Significant investment.** If a worker has a significant investment in the facilities where the worker performs services, the worker may be an independent contractor.

(16) **Profit or loss.** If the worker can make a profit or suffer a loss, the worker may be an independent contractor. Employees are typically paid for their time and labor and have no liability for business expenses.

(17) **Working for more than one firm at a time.** If a worker performs services for a multiple of unrelated firms at the same time, the worker may be an independent contractor

(18) ***Making services available to the general public.*** If a worker makes his or her services available to the general public on a regular and consistent basis, the worker may be an independent contractor.

(19) ***Right to discharge.*** The employer's right to discharge a worker is a factor indicating that the worker is an employee.

(20) ***Right to terminate.*** If the worker can quit work at any time without incurring liability, the worker is generally an employee.



# Three Categories of Control Factors

Over the years, the Internal Revenue Service recognized changes in business practices and therefore created three categories of factors to assess the degree of control and independence. These factors are to be used in conjunction with the 20 Factors.

(1) **Behavioral Control** - Includes the type of instructions the business gives to the worker, such as when and where to do the work, and the training the business provides to the worker. The key consideration is whether the business has retained the right to control the details of the worker's performance or has relinquished that right

(2) **Financial Control** - Address the business's right to control the business aspects of the worker's job.

(3) **Relationship Of Parties** - The nature of the relationship may be evidenced by:

- \_ a written contract;
- \_ the benefits the business provides to an employee, such as paid vacation and health coverage;
- \_ the permanency of the position; and
- \_ the extent to which the services performed are a key aspect of the regular business of the company.

# Business Entities

## *Corporation*

### *Advantage*

*Liability protection*

*Totally different entity (like another person)*

### *Disadvantage for small business*

*More stringent record keeping*

*Double Taxation*

## *S Corporation*

### *Advantage*

*Liability protection*

*Can be used as a vehicle to avoid self employment taxes*

### *Disadvantage for small business*

*More stringent record keeping*

*Some employee benefits taxable*



# Business Entities

## *Limited Liability Company*

### *Advantage*

*Liability protection*

*Totally different entity (like another person)*

### *Disadvantage for small business*

*More stringent record keeping*

*Double Taxation*

## *Sole Proprietorship*

### *Advantage*

*Simple / Cheap*

*Disadvantage for small business*

*More stringent record keeping*

*Some employee benefits taxable*







Search bar with text 'Enter terms' and a yellow 'Search' button.



Home » Templates & Tools

# Types of Business Entities



When starting a business, it is important to choose the appropriate legal structure for a number of reasons, including tax consequences and liability exposure. The structure of your business may also be dictated by the type of partners and/or investors you have.

The structure your business assumes is important in determining your limitations and liabilities. Depending on the type of structure you choose, additional paperwork may be necessary to establish the business in New Hampshire. Your accountant or attorney can help you decide what type of business structure best fits your needs.

## Sole Proprietorship

A sole proprietorship is the form of business entity with the least amount of legal formalities. In a proprietorship, the owner assumes sole responsibility for the operations and finances of the business, including profit and loss. In the proprietorship form of business entity, the owner's personal property is tied directly to the business; therefore, the owner assumes unlimited risk of his personal assets.

## "C" Corporation

Corporations are a separate entity from its owners. Corporations provide the shareholders with the most protection from liability and responsibility from debts and contracts. Profits for a corporation are taxed at the corporate level when the income is earned and is also taxed at the individual shareholder level.

## "S" Corporation

An "S" Corporation is similar to a corporation in that it provides its shareholders with protection from liability.

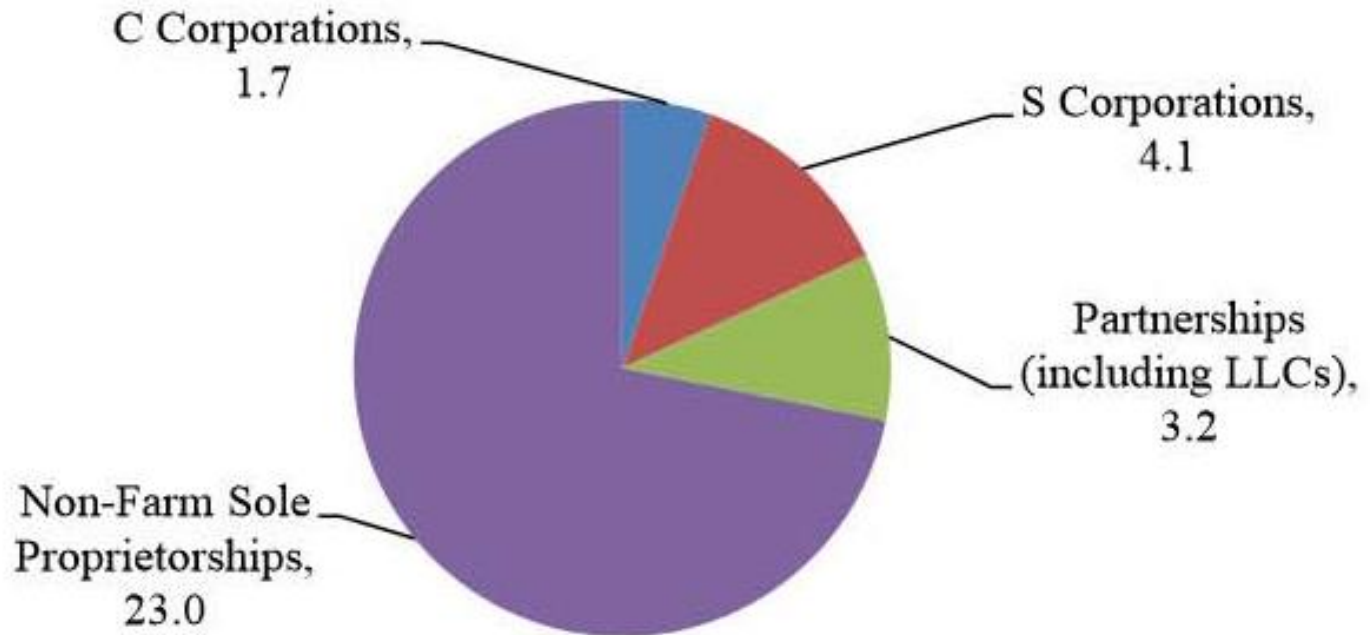
### Request a Local Mentor

Get free, expert advice from a mentor near you

Form with input field 'Enter zip' and a 'Go' button.

# Graph 1 U.S. Business Returns Distributed by Entity Type, 2010 (Millions of Returns)

Source: Internal Revenue Service, Statistics of Income, 2010



# STATE OF CALIFORNIA

## Franchise Tax Board

**\*\*\*\*Caution\*\*\*\***

***For corporations and LLC's there is an \$800  
minimum tax***



# Franchise Tax Board Statute of Limitations

## Taxpayer Did Not File a Return or Taxpayer Files a False or Fraudulent Return

If the taxpayer did not file a tax return, or files a false or fraudulent tax return, there is no time limit for FTB to assess tax. FTB will estimate net income from any available information and assess tax based on that estimate. (Revenue and Taxation Code section 19087; *Appeal of Arthur H. Hesbon*, 81-SBE-154, November 16, 1981.)

Even if the taxpayer asserts that the tax return was mailed, the taxpayer must provide convincing evidence, such as a certified mail receipt, of mailing the return to overcome FTB's records indicating that no return was filed. (*Appeal of La Salle Hotel Co.*, 66-SBE-071, November 23, 1966; *Appeal of Richard L. and Mary D. Marks*, 76-SBE-057, May 4, 1976; see also Government Code section 11003, Internal Revenue Code section 7502, and Treas. Reg. section 302.7502.1(c)(1)(iii)(A).)

# STATE OF CALIFORNIA

## Franchise Tax Board

**\*\*\*\*Caution\*\*\*\***



## **RUTHLESS COLLECTION TACTICS**

**USE PRIVATE COLLECTION AGENCIES!**

**IF NO RETURN FILED ESTIMATE INCOME BASED ON LICENSING!  
Realtors, Contractors, Barbers, and CPA's beware!!!**

**MONITOR BANK ACCOUNTS! (IRS does also)**

**SHARE INFORMATION WITH OTHER AGENCIES**

# FROM, ACCOUNTING TODAY

S Corps Pay Highest Effective Tax Rates

Washington, D.C. (August 7, 2013)

By Michael Cohn

The National Federation of Independent Business and the S Corporation Association released a new study Wednesday showing that S corporations pay the highest effective rates of any business type.

The study, authored by Quantria Strategies LLC, compares the tax burden that different business entities will shoulder in 2013 and finds that S corporations will pay the highest average effective tax rate (at 31.6 percent of their income), followed by partnerships (29.4 percent), C corporations (17.8 percent) and sole proprietorships (15.1 percent).



**Effective Tax Rate Summary, by Entity Type, 2013**  
*(Dollars in Millions)*

<b>Entity Type</b>	<b>Number of Taxpayers†</b>	<b>Net Income</b>	<b>Effective Tax Rate</b>
S Corporations	3,879,976	393,168.4	31.6%
Partnerships	2,833,699	226,427.4	29.4%
C Corporations	814,837	1,778,597.1	17.8%
Non-Farm Sole Proprietorships	21,978,470	425,399.1	15.1%

Source: Quantria Strategies, LLC Individual Income Tax Simulation Model, 2013 and IRS Corporate Source Book, 2010

†Consistent with most studies that measure effective tax rates, these calculations include only businesses with positive net income.

***INTERNAL***

***REVENUE***

***SERVICE***





TO BE FILLED IN BY COLLECTOR.

Form 1040.

TO BE FILLED IN BY INTERNAL REVENUE BUREAU.

List No. ....

**INCOME TAX.**

File No. ....

..... District of .....

**THE PENALTY  
FOR FAILURE TO HAVE THIS RETURN IN  
THE HANDS OF THE COLLECTOR OF  
INTERNAL REVENUE ON OR BEFORE  
MARCH 1 IS \$20 TO \$1,000.**  
(SEE INSTRUCTIONS ON PAGE 4)

Assessment List .....

Date received .....

Page ..... Line .....

**UNITED STATES INTERNAL REVENUE.**

**RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.**

(As provided by Act of Congress, approved October 3, 1913.)

**RETURN OF NET INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191 .....**

(FOR THE YEAR 1913, FROM MARCH 1, TO DECEMBER 31.)

Filed by (or for) ..... of .....  
(Full name of individual.) (Street and No.)

in the City, Town, or Post Office of ..... State of .....  
(Fill in pages 2 and 3 before making entries below.)

1. GROSS INCOME (see page 2, line 12) . . . . .	\$				
2. GENERAL DEDUCTIONS (see page 3, line 7) . . . . .	\$				
3. NET INCOME . . . . .	\$				

Deductions and exemptions allowed in computing income subject to the normal tax of 1 per cent.					
4. Dividends and net earnings received or accrued, of corporations, etc., subject to like tax. (See page 2, line 11) . . . . .	\$				
5. Amount of income on which the normal tax has been deducted and withheld at the source. (See page 2, line 9, column A)					
6. Specific exemption of \$3,000 or \$4,000, as the case may be. (See Instructions 3 and 19) . . . . .					

Total deductions and exemptions. (Items 4, 5, and 6) . . . . .	\$				
7. TAXABLE INCOME on which the normal tax of 1 per cent is to be calculated. (See Instruction 3) . . . . .	\$				

8. When the net income shown above on line 3 exceeds \$20,000, the additional tax thereon must be calculated as per schedule below:

	INCOME.				TAX.			
1 per cent on amount over \$20,000 and not exceeding \$50,000 . . . . .	\$				\$			
2 " " 50,000 " " 75,000 . . . . .								
3 " " 75,000 " " 100,000 . . . . .								
4 " " 100,000 " " 250,000 . . . . .								
5 " " 250,000 " " 500,000 . . . . .								
6 " " 500,000 . . . . .								
Total additional or super tax . . . . .	\$							
Total normal tax (1 per cent of amount entered on line 7) . . . . .	\$							
Total tax liability . . . . .	\$							

**GROSS INCOME.**

*This statement must show in the proper spaces the entire amount of gains, profits, and income received by or accrued to the individual from all sources during the year specified on page 1.*

DESCRIPTION OF INCOME.	A.				B.			
	Amount of income on which tax has been deducted and withheld at the source.				Amount of income on which tax has NOT been deducted and withheld at the source.			
1. Total amount derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid	\$				\$			
2. Total amount derived from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of interest in real or personal property, including bonds, stocks, etc.								
3. Total amount derived from rents and from interest on notes, mortgages, and securities (other than reported on lines 5 and 6)								
4. Total amount of gains and profits derived from partnership business, whether the same be divided and distributed or not								
5. Total amount of fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations, joint-stock companies or associations, and insurance companies, whether payable annually or at shorter or longer periods								
6. Total amount of income derived from coupons, checks, or bills of exchange for or in payment of interest upon bonds issued in <i>foreign countries</i> and upon <i>foreign mortgages</i> or like obligations (not payable in the United States), and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries								
7. Total amount of income received from fiduciaries								
8. Total amount of income derived from any source whatever, not specified or entered elsewhere on this page								
9. TOTALS								
NOTES.—Enter total of Column A on line 5 of first page.								
10. AGGREGATE TOTALS OF COLUMNS A AND B	\$							
11. Total amount of income derived from dividends on the stock or from the net earnings of corporations, joint-stock companies, associations, or insurance companies subject to like tax (To be entered on line 4 of first page.)	\$							
12. TOTAL "Gross Income" (to be entered on line 1 of first page)	\$							

**GENERAL DEDUCTIONS.**

1. The amount of necessary expenses actually paid in carrying on business, but not including business expenses of partnerships, and not including personal, living, or family expenses . . . . .	\$	.....	.....	.....	.....
2. All interest paid within the year on personal indebtedness of taxpayer . . . . .		.....	.....	.....	.....
3. All national, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits) . . . . .		.....	.....	.....	.....
4. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise . . . . .		.....	.....	.....	.....
5. Debts due which have been actually ascertained to be worthless and which have been charged off within the year . . . . .		.....	.....	.....	.....
6. Amount representing a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per cent of the gross value at the mine of the output for the year for which the computation is made, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof, for which an allowance is or has been made . . . . .		.....	.....	.....	.....
7. Total "GENERAL DEDUCTIONS" (to be entered on line 2 of first page) . . . . .		.....	.....	.....	.....

**AFFIDAVIT TO BE EXECUTED BY INDIVIDUAL MAKING HIS OWN RETURN.**

I solemnly swear (or affirm) that the foregoing return, to the best of my knowledge and belief, contains a true and complete statement of all gains, profits, and income received by or accrued to me during the year for which the return is made, and that I am entitled to all the deductions and exemptions entered or claimed therein, under the Federal Income-tax Law of October 3, 1913.

Sworn to and subscribed before me this .....

day of ....., 191

.....  
(Signature of individual.)



.....  
.....  
(Official capacity.)

**AFFIDAVIT TO BE EXECUTED BY DULY AUTHORIZED AGENT MAKING RETURN FOR INDIVIDUAL.**

I solemnly swear (or affirm) that I have sufficient knowledge of the affairs and property of ..... to enable me to make a full and complete return thereof, and that the foregoing return, to the best of my knowledge and belief, contains a true and complete statement of all gains, profits, and income received by or accrued to said individual during the year for which the return is made, and that the said individual is entitled, under the Federal Income-tax Law of October 3, 1913, to all the deductions and exemptions entered or claimed therein.

Sworn to and subscribed before me this .....

day of ....., 191

.....  
(Signature of agent.)

ADDRESS  
IN FULL

{ .....  
.....



.....  
.....  
(Official capacity.)

[SEE INSTRUCTIONS ON BACK OF THIS PAGE.]

## INSTRUCTIONS.

1. This return shall be made by every citizen of the United States, whether residing at home or abroad, and by every person residing in the United States, though not a citizen thereof, having a *net income* of \$3,000 or over for the taxable year, and also by every *nonresident alien* deriving income from property owned and business, trade, or profession carried on in the *United States* by him.

2. When an individual by reason of minority, sickness or other disability, or absence from the United States, is unable to make his own return, it may be made for him by his *duly authorized* representative.

3. The *normal tax* of 1 per cent shall be assessed on the total net income less the specific exemption of \$3,000 or \$4,000 as the case may be. (For the year 1913, the specific exemption allowable is \$2,500 or \$3,333.33, as the case may be.) If, however, the normal tax has been deducted and withheld on any part of the income at the source, or if any part of the income is received as dividends upon the stock or from the net earnings of any corporation, etc., which is taxable upon its net income, such income shall be deducted from the individual's total *net income* for the purpose of calculating the amount of income on which the individual is liable for the normal tax of 1 per cent by virtue of this return. (See page 1, line 7.)

4. The *additional or super tax* shall be calculated as stated on page 1.

5. This return shall be filed with the Collector of Internal Revenue for the district in which the individual resides if he has no other place of business, otherwise in the district in which he has his *principal place of business*; or in case the person resides in a foreign country, then with the collector for the district in which his principal business is carried on in the United States.

6. This return must be filed on or before the first day of March succeeding the close of the calendar year for which return is made.

7. The *penalty for failure to file the return within the time specified by law* is \$20 to \$1,000. In case of refusal or neglect to render the return within the required time (except in cases of sickness or absence), 50 per cent shall be added to amount of tax assessed. In case of *false or fraudulent return*, 100 per cent shall be added to such tax, and any person required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this section to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

8. When the return is not filed within the required time by reason of sickness or absence of the individual, an extension of time, not exceeding 30 days from March 1, within which to file such return, *may be granted* by the collector, *provided* an application therefor is made by the individual within the period for which such extension is desired.

9. This return properly filled out must be made under oath or affirmation. Affidavits may be made before any officer *authorized by law* to administer oaths. If before a justice of the peace or magistrate; not using a seal, a *certificate of the clerk of the court as to the authority* of such officer to administer oaths should be *attached to the return*.

10. Expense for medical attendance, store accounts, family supplies, wages of domestic servants, cost of board, room, or house rent for family or personal use, *are not expenses that can be deducted from gross income*. In case an individual owns his own residence he can not deduct the estimated value of his rent, neither shall he be required to include such estimated rental of his home as income.

11. The farmer, in computing the net income from his farm for his annual return, shall include all moneys received for produce and animals sold, and for the wool and hides of animals slaughtered, provided such wool and hides are sold, and he shall deduct therefrom the sums actually paid as purchase money for the animals sold or slaughtered during the year.

When animals were raised by the owner and are sold or slaughtered he shall not deduct their value as expenses or loss. He may deduct the amount of money actually paid as expense for producing any farm products, live stock, etc. In deducting expenses for repairs on farm property the amount deducted must not exceed the amount actually expended for such repairs during the year for which the return is made. (See page 3, item 6.) The cost of replacing tools or machinery is a deductible expense to the extent that the cost of the new articles does not exceed the value of the old.

12. In calculating losses, only such losses as shall have been actually sustained and the amount of which has been definitely ascertained during the year covered by the return can be deducted.

13. Persons receiving fees or emoluments for professional or other services, as in the case of physicians or lawyers, should include all actual receipts for services rendered in the year for which return is made, together with all unpaid accounts, charges for services, or contingent income due for that year, if good and collectible.

14. Debts which were contracted during the year for which return is made, but found in said year to be worthless, may be deducted from gross income for said year, but such debts can not be regarded as worthless until after legal proceedings to recover the same have proved fruitless, or it clearly appears that the debtor is insolvent. If debts contracted prior to the year for which return is made were included as income in return for year in which said debts were contracted, and such debts shall subsequently prove to be worthless, they may be deducted under the head of losses in the return for the year in which such debts were charged off as worthless.

15. Amounts due or accrued to the individual members of a partnership from the net earnings of the partnership, whether apportioned and distributed or not, shall be included in the annual return of the individual.

16. United States pensions shall be included as income.

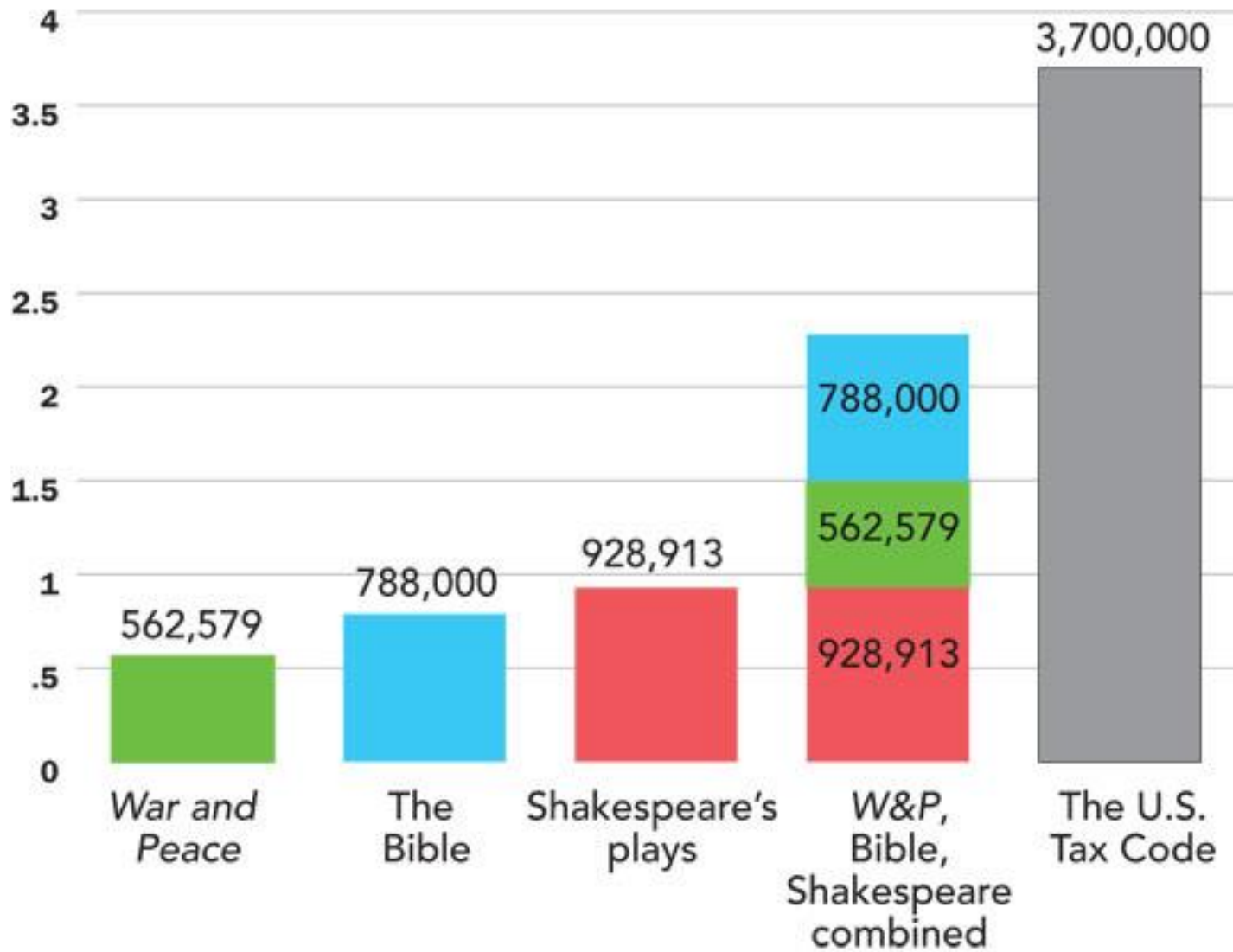
17. Estimated advance in value of real estate is not required to be reported as income, unless the increased value is taken up on the books of the individual as an increase of assets.

18. Costs of suits and other legal proceedings arising from ordinary business may be treated as an expense of such business, and may be deducted from gross income for the year in which such costs were paid.

19. An unmarried individual or a married individual not living with wife or husband shall be allowed an exemption of \$3,000. When husband and wife live together they shall be allowed jointly a total exemption of only \$4,000 on their aggregate income. They may make a joint return, both subscribing thereto, or if they have separate incomes, they may make separate returns; but in no case shall they jointly claim more than \$4,000 exemption on their aggregate income.

20. In computing net income there shall be excluded the compensation of all officers and employees of a State or any political subdivision thereof, except when such compensation is paid by the United States Government.

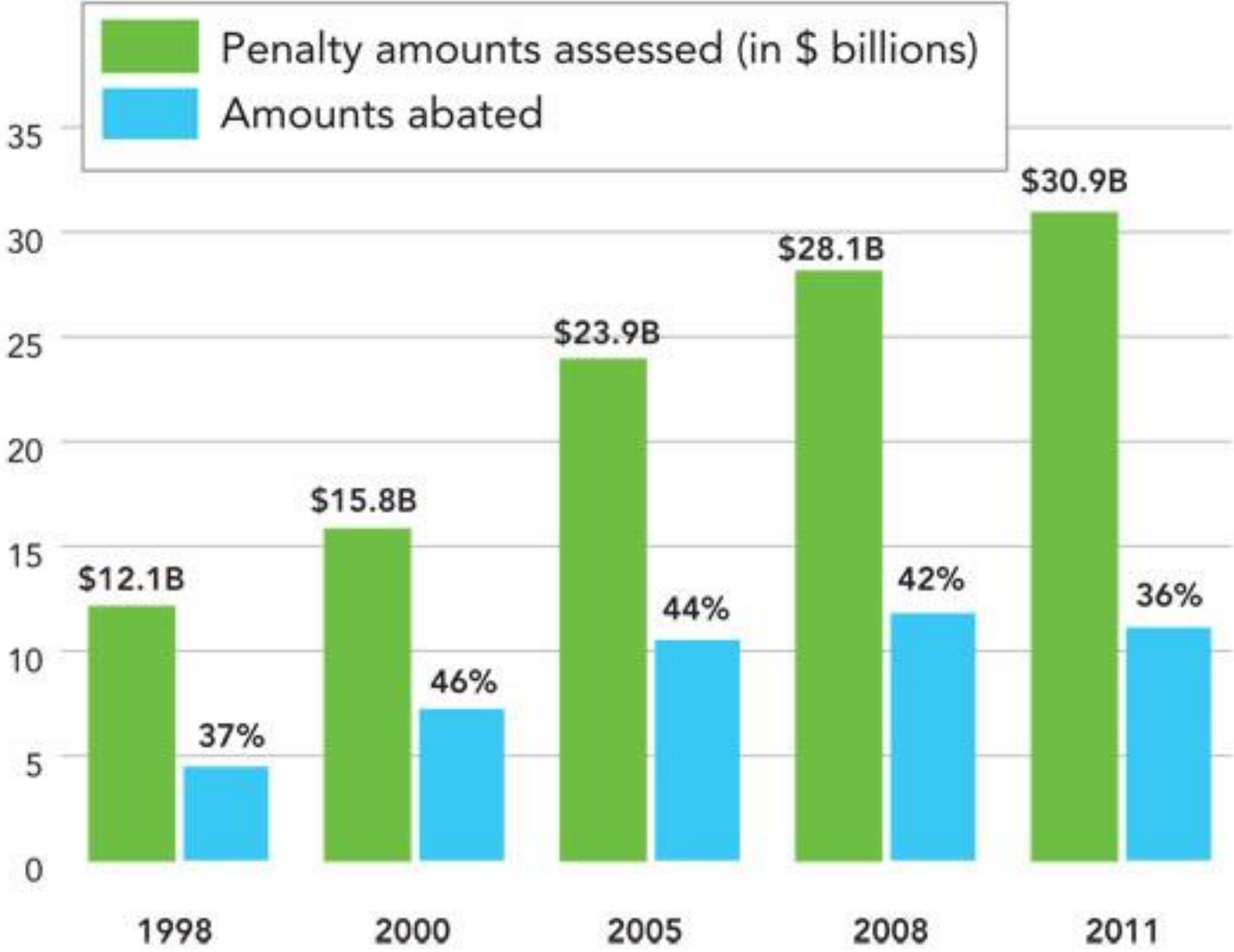
## HOW THE TAX CODE STACKS UP, IN MILLIONS OF WORDS



# Federal Tax Gap

	Tax Year 2001 <i>(billions)</i>	Tax Year 2006 <i>(billions)</i>
Total Tax Liabilities	\$2,112	\$2,660
Gross Tax Gap	\$345 (83.7% compliance)	\$450 (83.1% compliance)
Enforcement and Late Payments	\$55	\$65
Net Tax Gap	\$290 (86.3% compliance)	\$385 (85.5% compliance)

# THE IRS IS ASSESSING MORE CIVIL PENALTIES



# WATCH PAYROLL TAX

## EMPLOYMENT TAX AUDITS

**29 million**

Total number of employment tax returns filed

**0.2%**

Percent audited (app. 58,000)

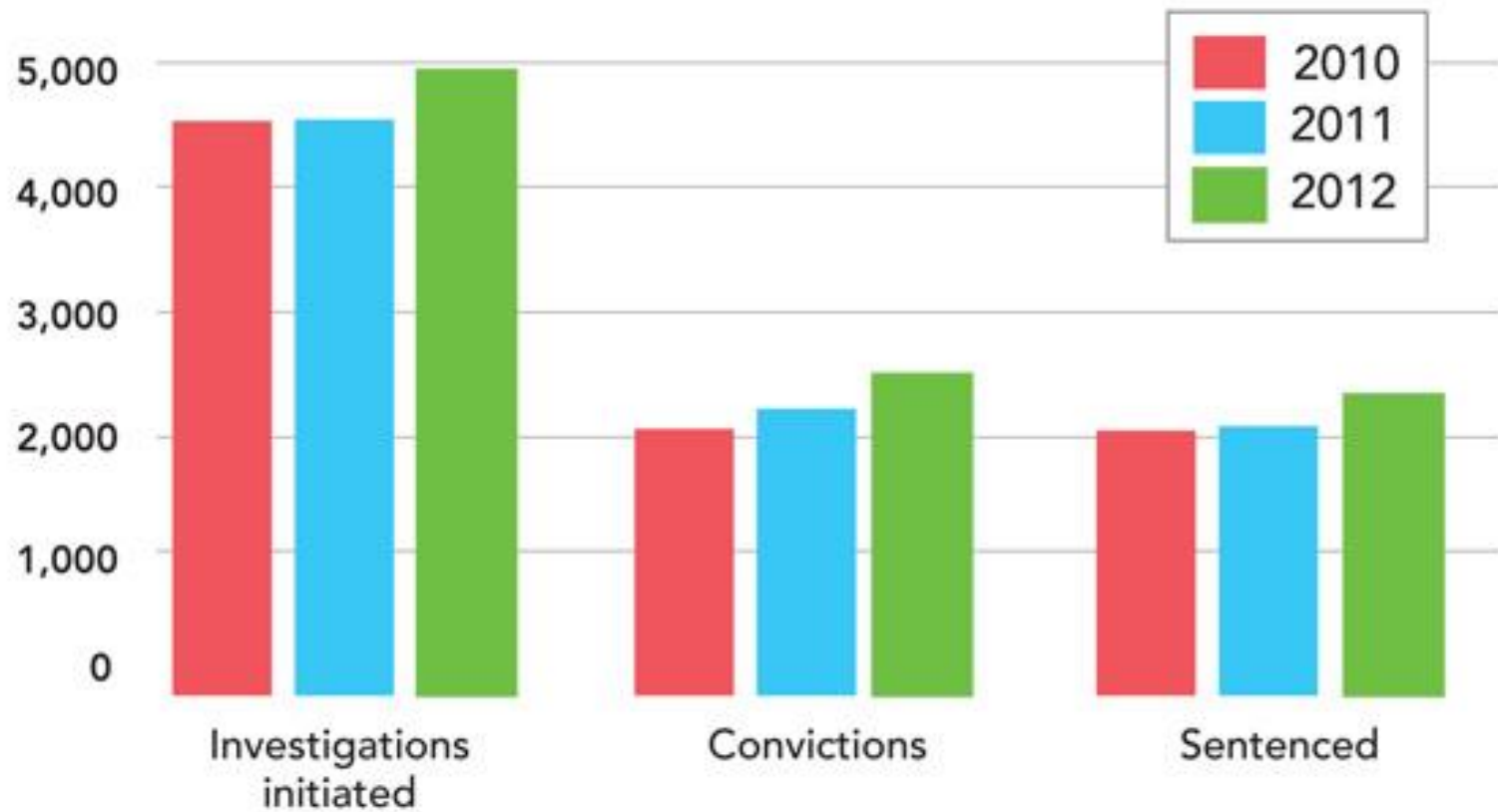
**\$26,372**

Average owed per audit per quarter



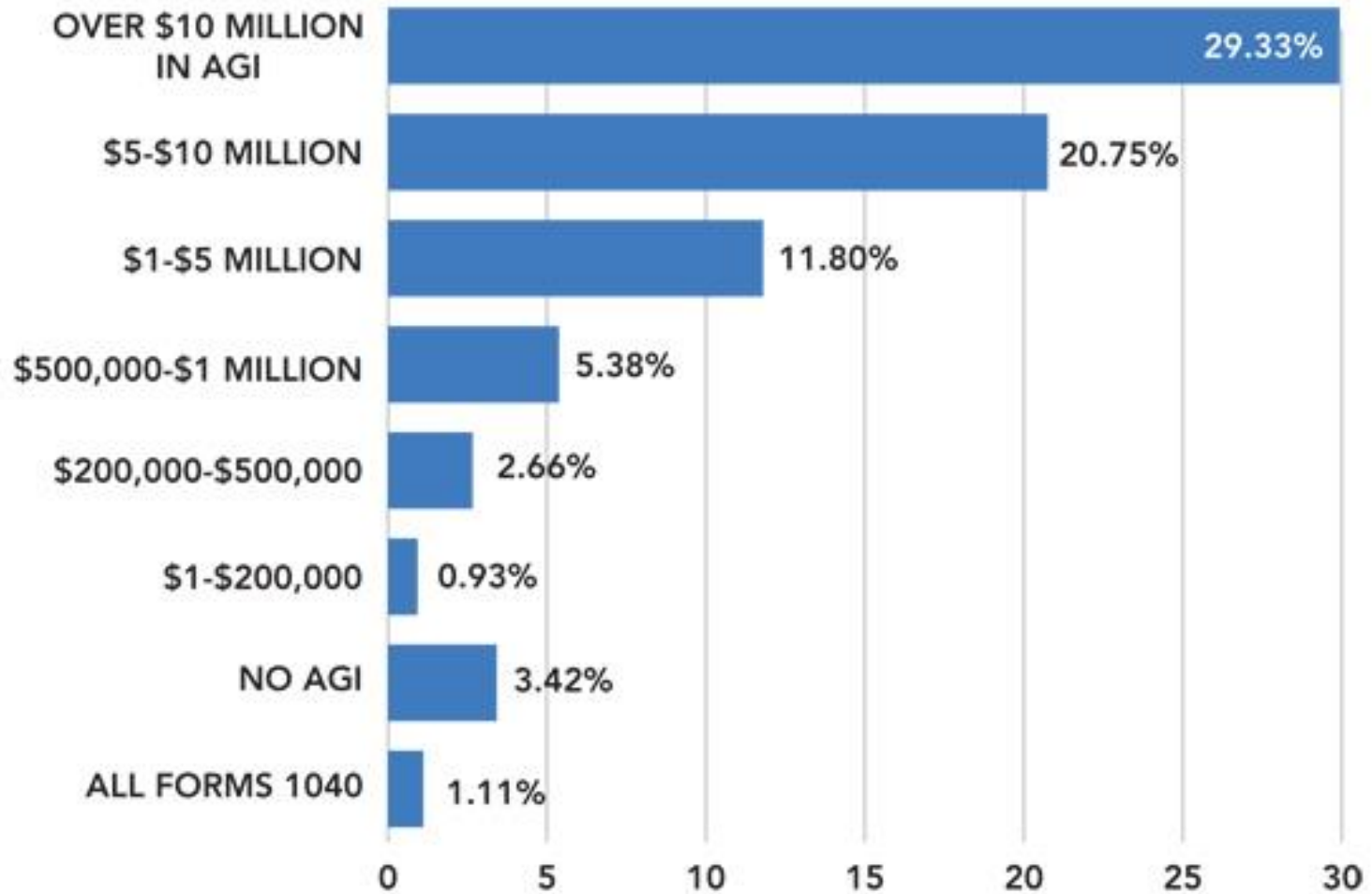
## THE RISING WAR ON (TAX) CRIME

Number of investigations initiated by IRS Criminal Investigation, number of convictions, and number of sentenced



## WILL THE IRS AUDIT YOUR CLIENTS?

Percentage of Form 1040 returns audited by the IRS, by adjusted gross income



## IRS Business Return Enforcement (Fiscal Year 2011)

	2011	2010	2009
<b>Total Returns Examined</b>	62,445	58,067	58,144
<i>Returns filed in prior calendar year</i>	9,869,358	9,941,289	9,951,648
<i>Coverage</i>	0.63%	0.58%	0.58%
<b>Small Corporation Returns (assets under \$10 million)</b>			
<i>Returns examined</i>	19,697	19,127	18,298
<i>Returns filed in prior calendar year</i>	1,931,008	2,041,474	2,146,400
<i>Coverage</i>	1.02%	0.94%	0.85%
<b>Large Corporation Returns (assets \$10 million and higher)</b>			
<i>Returns examined</i>	10,459	10,207	9,536
<i>Returns filed in prior calendar year</i>	59,291	61,570	65,546
<i>Coverage</i>	17.64%	16.58%	14.55%
<b>S Corporation Returns—1120S</b>			
<i>Returns examined</i>	18,519	16,327	17,455
<i>Returns filed in prior calendar year</i>	4,444,154	4,414,662	4,390,857
<i>Coverage</i>	0.42%	0.37%	0.40%
<b>Partnership Returns—1065</b>			
<i>Returns examined</i>	13,770	12,406	12,855
<i>Returns filed in prior calendar year</i>	3,434,905	3,423,583	3,348,845
<i>Coverage</i>	0.40%	0.36%	0.38%

# IRS'S RULES OF PLAY (ON INTERNET)



**By interview.** If we notify you that we will conduct your examination through a personal interview, or you request such an interview, you have the right to ask that the examination take place at a reasonable time and place that is convenient for both you and the IRS. If our examiner proposes any changes to your return, he or she will explain the reasons for the changes. If you do not agree with these changes, you can meet with the examiner's supervisor.

**Repeat examinations.** If we examined your return for the same items in either of the 2 previous years and proposed no change to your tax liability, please contact us as soon as possible so we can see if we should discontinue the examination.

**Appeals.** If you do not agree with the examiner's proposed changes, you can appeal them to the Appeals Office of the IRS. Most differences can be settled without expensive and time-consuming court trials. Your appeal rights are explained in detail in both Publication 5, Your Appeal Rights and How To Prepare a Protest If You Don't Agree, and Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund.

If you do not wish to use the Appeals Office or disagree with its findings, you may be able to take your case to the U.S. Tax Court, U.S. Court of Federal Claims, or the U.S. District Court where you live. If you take your case to court, the IRS will have the burden of proving certain facts if you kept adequate records to show your tax liability, cooperated with the IRS, and meet certain other conditions. If the court agrees with you on most issues in your case and finds that our position was largely unjustified, you may be able to recover some of your administrative and litigation costs. You will not be eligible to recover these costs unless you tried to resolve your case administratively, including going through the appeals system, and you gave us the information necessary to resolve the case.

**Collections.** Publication 594, The IRS Collection Process, explains your rights and responsibilities regarding payment of federal taxes. It describes:

- What to do when you owe taxes. It describes what to do if you get a tax bill and what to do if you think your bill is wrong. It also covers making installment payments, delaying collection action, and submitting an offer in compromise.
- IRS collection actions. It covers liens, releasing a lien, levies, releasing a levy, seizures and sales, and release of property.

Your collection appeal rights are explained in detail in Publication 1660, Collection Appeal Rights.

**Innocent spouse relief.** Generally, both you and your spouse are responsible, jointly and individually, for paying the full amount of any tax, interest, or penalties due on your joint return. To seek relief from any liability related to your spouse (or former spouse), you must file a claim on Form 8857, Request for Innocent Spouse Relief. In some cases, Form 8857 may need to be filed within 2 years of the date on which the IRS first attempted to collect the tax from you. Do not file Form 8857 with your Form 1040. For more information, see Publication 971, Innocent Spouse Relief, and Form 8857 or you can call the Innocent Spouse office toll-free at 1-866-897-4270.

**Refunds.** You can file a claim for refund if you think you paid too much tax. You must generally file the claim within 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later. The law generally provides for interest on your refund if it is not paid within 45 days of the date you filed your return or claim for refund. Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund, has more information on refunds.

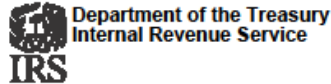
If you were due a refund but you did not file a return, you must file within 3 years from the date the return was due (including extensions) to get that refund.

[Prev](#)

[Up  
Home](#)

[Next](#)

[More Online Publications](#)



Date:

Taxpayer Identification Number:

Form:

Tax period(s) ended:

Person to contact:

Contact telephone number:

Contact hours:

Fax number:

### Notification of Possible Income Underreporting

Dear

**Why you are receiving this letter**

Your gross receipts may be underreported. Your tax return and Form(s) 1099-K, *Merchant Card and Third Party Network Transactions*, show an unusually high portion of gross receipts from card payments and other Form 1099-K reportable transactions. Your type of business consistently has a much lower portion of gross receipts from card payments and other Form 1099-K reportable transactions, and a higher portion of gross receipts from other sources (e.g., cash and checks).

Listed below is the information reported to us:

- Your reported gross receipts are: \$
- Your gross amount of merchant card and third party network payments from Forms 1099-K are: \$

Below are the Form(s) 1099-K we received for your business and the corresponding Gross Merchant Card and Third Party Network receipts for each form:

Form 1099-K Filers	Reported 20	Gross Amount of Merchant Card and Third Party Network Payments (Box 1)

## **WILL I QUALIFY FOR SMALL BUSINESS HEALTH CARE TAX CREDITS?**

**YOU MAY QUALIFY FOR EMPLOYER HEALTH CARE TAX CREDITS IF YOU HAVE FEWER THAN 25 FULL-TIME EQUIVALENT EMPLOYEES MAKING AN AVERAGE OF ABOUT \$50,000 A YEAR OR LESS.**

**TO QUALIFY FOR THE SMALL BUSINESS HEALTH CARE TAX CREDIT, YOU MUST PAY AT LEAST 50% OF YOUR FULL-TIME EMPLOYEES' PREMIUM COSTS. YOU DON'T NEED TO OFFER COVERAGE TO YOUR PART-TIME EMPLOYEES OR TO DEPENDENTS.**

**STARTING IN 2014, THE TAX CREDIT IS WORTH UP TO 50% OF YOUR CONTRIBUTION TOWARD EMPLOYEES' PREMIUM COSTS (UP TO 35% FOR TAX-EXEMPT EMPLOYERS).**

**THE CREDIT IS AVAILABLE ONLY IF YOU GET COVERAGE THROUGH THE SHOP MARKETPLACE.**

### **HIGHER BENEFITS FOR SMALLER BUSINESSES**

**THE TAX CREDIT IS HIGHEST FOR COMPANIES WITH FEWER THAN 10 EMPLOYEES WHO ARE PAID AN AVERAGE OF \$25,000 OR LESS. THE SMALLER THE BUSINESS, THE BIGGER THE CREDIT**

## **EXAMPLE OF HOW THE TAX CREDIT WORKS**

**EXAMPLE FOR AN EMPLOYER WHO QUALIFIES FOR THE MAXIMUM CREDIT WORTH 50% OF THEIR PREMIUM CONTRIBUTION IN 2014:**

**NUMBER OF EMPLOYEES: 10**

**WAGES: \$250,000 TOTAL OR \$25,000 PER EMPLOYEE**

**EMPLOYER CONTRIBUTION TO EMPLOYEE PREMIUMS: \$70,000**

**TAX CREDIT AMOUNT: \$35,000 (50% OF EMPLOYER'S CONTRIBUTION)**

**FIND OUT IF YOU QUALIFY FOR THE SMALL BUSINESS HEALTH CARE TAX CREDIT**

**YOU DON'T HAVE TO WAIT UNTIL OPEN ENROLLMENT ON OCTOBER 1, 2013 TO FIND OUT IF YOU QUALIFY FOR THE SMALL BUSINESS HEALTH CARE TAX CREDIT.**

**YOU CAN FIND OUT NOW BY FOLLOWING BY VISITING [IRS.GOV](http://IRS.GOV). YOU CAN ALSO CONSULT WITH YOUR TAX ADVISOR OR ACCOUNTANT TO LEARN IF YOU QUALIFY, AND IF SO, HOW MUCH YOUR CREDIT WILL BE.**

**HAVE QUESTIONS ABOUT THE SHOP MARKETPLACE FOR BUSINESSES WITH 50 OR FEWER EMPLOYEES? CALL 1-800-706-7893 (TTY USERS: 1-800-706-7915). HOURS: MONDAY THROUGH FRIDAY, 9 A.M. TO 5 P.M. EST.**

# The Auditors

Versus

# Taxpayer





# IRS POWERS

## 9.1.2.4 (01-16-2008)

### Authority to Arrest

The authority of special agents to make arrests is provided by 26 USC §7608. This section provides, in part, that a special agent is authorized: to execute and serve search warrants and arrest warrants; to serve subpoenas and summonses issued under authority of the United States; to make arrests without warrant for any offense against the United States relating to the Internal Revenue laws that is committed in his/her presence, or for any felony cognizable under such laws if he/she has reasonable grounds to believe that the person to be arrested has committed or is committing any such felony; and to make seizures of property subject to forfeiture under the Internal Revenue laws

#### **9.1.2.4.1 (11-10-2004)**

##### **Authority To Carry Firearms**

There is no specific statutory authority for special agents to carry firearms. The General Counsel, Department of the Treasury, has concluded that no specific authority is necessary because " where a Federal officer has authority to make an arrest, he/she has implied authority to carry firearms" . Authority for special agents to make arrests is contained in 26 USC §7608(b).



## PRESS RELEASE

Internal Revenue Service - Criminal Investigation  
Los Angeles Field Office  
*Joel P. Garland, Acting Special Agent in Charge*

Date: February 18, 2014

Contact: Special Agent Linda Lowery, Public Information Officer  
IRS – Criminal Investigation  
300 North Los Angeles Street, Room 5016  
Los Angeles, CA 90012  
Email: linda.lowery@ci.irs.gov  
CI Release #: LAFO-2014-07

### **Orange County Business Owner Sentenced to Federal Prison for Federal Tax and Structuring Violations**

*Los Angeles* – The owner and president of a general contracting business in Orange County was sentenced today to 18 months in federal prison for cashing customer checks totaling approximately \$2 million and failing to report the receipt of these payments on his income tax returns.

Jeremy Scott Levine, 42, of Newport Beach—owner and president of JSL Construction and Landscaping (“JSL”), a general contracting business in Newport Beach—was sentenced this afternoon by United States District Judge Margaret M. Morrow, who also ordered Levine to pay restitution of \$300,000 to the Internal Revenue Service, and a fine of \$80,000 to the United States government.

Levine pleaded guilty in June of 2013 to one count of subscribing to a false tax return for the 2010 tax year and one count of structuring a cash transaction.

According to the plea agreement, for the 2006 through 2010 tax years, Levine failed to report all of the business receipts of JSL on the individual and corporate income tax returns filed by Levine by cashing checks received from customers in payment for remodeling, construction, and landscape services provided by JSL.

Beginning in 2006, Levine directed numerous JSL customers to pay for some of the services provided by JSL by writing checks payable to Levine, individually, rather than writing a check payable to JSL. During the years 2006 through 2010, Levine cashed JSL customer checks, totaling approximately \$2 million, and received currency in exchange for the checks.

For the years 2006, 2007, 2008 and 2009, Levine failed to report income in the amounts of \$293,977, \$451,550, \$336,550, and \$416,830, respectively. Levine's failure to report all of his income on the tax returns he filed for the years 2006 through 2010 resulted in a tax due and owing to the government of approximately \$300,000.

In addition to subscribing to a false income tax return, Levine pleaded guilty to cashing checks of less than \$10,000 to evade federal reporting requirements. Levine admitted that in June of 2010, he cashed two JSL customer checks in the amounts of \$9,500 and \$7,325 at two different bank branches, and on the following day he cashed a JSL customer check in the amount of \$9,500. The transactions were purposely structured to evade the federal reporting requirements requiring a financial institution to report cash transactions in an amount that exceeds \$10,000.

Levine will begin serving his prison sentence on July 14, 2014.

The investigation and prosecution of Levine was conducted by IRS-Criminal Investigation's Los Angeles Field Office, in conjunction with the United States Attorney's Office for the Central District of California.

###

United States Attorney's Office contact:

Assistant United States Attorney  
Ruth C. Pinkel  
(213) 894-6077

# Form 1099 K (Credit Cards)

VOID  CORRECTED

FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.		FILER'S federal identification no.	OMB No. 1545-2205	<b>2013</b> Form 1099-K	<b>Payment Card and                  Third Party                  Network                  Transactions</b>
		PAYEE'S taxpayer identification no.			
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>		1 Gross amount of payment card/third party network transactions \$	2 Merchant category code
PAYEE'S name  Street address (including apt. no.)  City or town, province or state, country, and ZIP or foreign postal code		3 Number of payment transactions	4 Federal income tax withheld \$	<b>Copy 1                  For State Tax                  Department</b>	
PSE'S name and telephone number		5a January \$	5b February \$		
Account number (see instructions)		5c March \$	5d April \$	8 State income tax withheld \$	
		5e May \$	5f June \$		
		5g July \$	5h August \$		
		5i September \$	5j October \$		
		5k November \$	5l December \$		
		6 State	7 State identification no.		

Form 1099-K

www.irs.gov/form1099k

Department of the Treasury - Internal Revenue Service





## PRESS RELEASE

Internal Revenue Service - Criminal Investigation  
Newark Field Office  
*Special Agent in Charge Shantelle P. Kitchen*

Date: January 16, 2014

Contact: Special Agent Robert Glantz  
Public Information Officer  
IRS – Criminal Investigation  
4 Paragon Way, Suite 2  
Freehold, New Jersey 07728  
Office: (732) 761-3381  
Cellular: (973) 296-9225  
robert.glantz@ci.irs.gov  
CI Release #: NEWFO-2014-02

### OWNER OF CLEANING BUSINESSES INDICTED ON EMPLOYMENT TAX CHARGES

**Camden, N.J.** –The owner of several commercial cleaning businesses had his initial appearance and arraignment today before U.S. Magistrate Judge Karen M. Williams and entered a plea of not guilty to all the charges.

Previously, on December 18, 2013, Zenon Rotuski, a resident of Medford, N.J., was indicted by a federal grand jury on one count of employment tax evasion and five counts of failing to pay over payroll taxes to the Internal Revenue Service.

“As we approach this year’s tax filing season, this indictment is a reminder that business owners have a responsibility to withhold income taxes for their employees and remit those taxes to the Internal Revenue Service,” stated Shantelle P. Kitchen, Special Agent in Charge, IRS-Criminal Investigation, Newark Field Office. “The failure to withhold and pay over employment taxes is a very serious offense that will not be tolerated.”

According to the indictment:

Rotuski owned and operated multiple commercial cleaning and maintenance businesses including Associated Building Management Corp. (ABMC-1), American Building Management Corp. (ABMC-2) and Associated Building Maintenance Cleaning Corp. (ABMC-3). As the owner of these businesses, Rotuski was responsible for collecting, accounting for and paying over payroll taxes for his employees. Rotuski was also responsible for filing with the IRS Form 941, Employer’s Quarterly Federal Tax

Returns, reflecting the employment taxes that his businesses had withheld and paid to the Internal Revenue Service each quarter.

Count 1 of the indictment alleges that between 2004 and 2009, Rotuski attempted to evade employment taxes in the approximate amount of \$311,080.90. It is alleged that Rotuski evaded the payment of employment taxes by ceasing to operate his business under one name and then opening it up under another name. For example, it is alleged that for tax quarters June 2004 through December 2005, Rotuski filed Forms 941 for ABMC-1, but made minimal payments. In November 2005, Rotuski ceased operating as ABMC-1 and began operating s ABMC-2. In an attempt to evade the payment of employment taxes, Rotuski incorporated ABMC-2 and retained the same business structure as ABMC-1. Rotuski failed to incorporate, or pay over to the IRS, the outstanding employment tax liability of ABMC-1.

For the tax quarters December, 2005 through March, 2008, Rotuski filed Forms 941 for ABMC-2 but made minimal payments. In March 2008, Rotuski ceased operating as ABMC-2 and began operating as ABMC-3. Rotuski incorporated ABMC-3 and retained the same business structure as ABMC-1 and ABMC-2. Rotuski failed to incorporate, or pay over to the IRS, the outstanding employment tax liability of ABMC-1 and ABMC-2.

For the tax quarters March, 2008 through March, 2009, Rotuski filed Forms 941 but failed to pay the full amount of tax liabilities reported on those forms.

The indictment also alleges that Rotuski withheld payroll taxes from his employees but failed to pay over withheld taxes of \$120,843.12 to the IRS for the quarters listed below.

Count	Tax Quarter	Employment Tax Liability
2	03/2008	\$9,284.28
3	06/2008	\$26,660.09
4	09/2008	\$30,404.16
5	12/2008	\$26,987.74
6	03/2009	\$27,506.85

If convicted, each count of the indictment carries a statutory maximum prison sentence of five years and a statutory maximum fine equal to the greatest of: (1) \$250,000; (2) twice the gross amount of any pecuniary gain derived from the offense; or (3) twice the gross amount of any pecuniary loss sustained by any victims of the offense.

The charges and allegations contained in the indictment are merely accusations, and the defendant is considered innocent unless and until proven guilty.

The investigation was conducted by IRS-Criminal Investigation, Newark Field Office, under the direction of Special Agent in Charge Shantelle P. Kitchen and The U.S. Attorney's Office, under the direction of U.S. Attorney Paul J. Fishman.

# **STILL WANT SELF EMPLOYMENT**





**KEEP RECORDS**

**DON'T OVER KEEP RECORDS**

**AN ENTREPRENEUR IS A PROMOTER AND  
A MARKETING PERSON NOT AN  
ACCOUNTANT!**

**KEEP RECORDS ACCURATE AND SIMPLE!!**









7





## EIN Assistant

### Important Information Before You Begin

Use this assistant to apply for and obtain an Employer Identification Number (EIN).

[Do I need an EIN?](#)

[Do I need a new EIN?](#)

For help or additional information on any topic, click the underlined key words, or view Help Topics on the right side of the screen. Make sure that pop-ups are allowed from this site.

#### About the EIN Assistant

- You must complete this application in one session, as you will **not** be able to save and return at a later time.
- For security purposes, your session will expire after 15 minutes of [inactivity](#), and you will need to start over.
- You will receive your EIN immediately upon verification. [When will I be able to use my EIN?](#)
- If you wish to receive your confirmation letter online, we strongly recommended that you install [Adobe Reader](#) before beginning the application if it is not already installed.

#### Restrictions

- Effective May 21, 2012, to ensure fair and equitable treatment for all taxpayers, the Internal Revenue Service will limit Employer Identification Number (EIN) issuance to one per [responsible party](#) per day. This limitation is applicable to all requests for EINs whether online or by phone, fax or mail. We apologize for any inconvenience this may cause.
- If a [third party designee](#) (TPD) is completing the online application on behalf of the taxpayer, the taxpayer must [authorize the third party](#) to apply for and receive the EIN on his or her behalf.
- The business location must be within the United States or [U.S. territories](#).
- Foreign filers without an Individual Taxpayer Identification Number (ITIN) cannot use this assistant to obtain an EIN.
- If you were incorporated outside of the United States or the U.S. territories, you cannot apply for an EIN online. Please call us at 267-941-1099 (this is not a toll free number).

[Begin Application >>](#)

If you are not comfortable sending information via the Internet, download the [Form SS-4](#) PDF file and the instructions for alternative ways of applying.

## Daily Appointment Calendar

Date:

Time	Appointment	Phone Number	Notes
7:00am			
7:30am			
8:00am			
8:30am			
9:00am			
9:30am			
10:00am			
10:30am			
11:00am			
11:30am			
12:00pm			
12:30pm			
1:00pm			
1:30pm			

f Like 0

🐦 Tweet 0

g+1 0

📌 Pin it



# Adams Carbonless Sales Order Books

50 Sheet(s) - 2 Part - Carbonless - 7.18" x 4.18" Sheet Size - Assorted  
1Each - [View Complete Details](#)

Product Number: ABFDC4705

★★★★☆ 4.6 9 reviews | [Read All Reviews](#) | [Write a Review](#)

**\$1.96** 1 EA  
[Qty Info](#)

Qty

1

**Add to Cart**

📅 **Estimated Delivery - Fri 11/22**



# Daily Appointment Calendar

Date:

Time	Appointment	Phone Number	Notes
7:00am			
7:30am			
8:00am			
8:30am			
9:00am	John Smith 565Broadmore, Torrance Ca		Drove chevy to apt st miles 120685
9:30am	sold sink and faucet	rec #	Bought tape 6.95 rec
10:00am	Drove back to office		end miles 120728
10:30am			
11:00am			
11:30am			
12:00pm			
12:30pm			
1:00pm			



# iTunes Preview

What's New What is iTunes iTunes Charts

## MileBug – Mileage Log & Expense Tracker

[View More By This Developer](#)

By Izatt International

Open iTunes to buy and download apps.



### Description

"Track your trips, get your deduction!"  
\*\*\* Bloomberg Businessweek includes MileBug as one of 4 Tax Record Services! (15 April 2013) \*\*\*  
\*\*\* WHAT'S HOT in 22 Countries! – June 2013 \*\*\*

[Izatt International Web Site](#) ▶ [MileBug – Mileage Log & Expense Tracker Support](#) ▶

[...More](#)

### What's New in Version 2.8

iOS 7 Support  
1) Add/Edit Businesses working properly now!

[...More](#)

[View In iTunes](#)

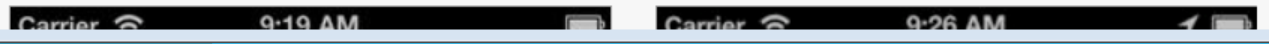
+ This app is designed for both iPhone and iPad

**\$2.99**

Category: [Finance](#)  
Updated: Oct 01, 2013  
Version: 2.8

### Screenshots

[iPhone](#) | [iPad](#)

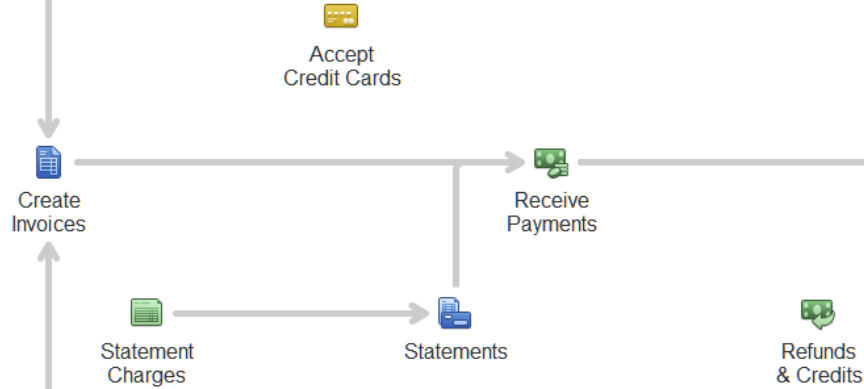


View Balances

VENDORS



CUSTOMERS



EMPLOYEES



COMPANY

- Chart of Accounts
- Items & Services
- QuickBooks Financing
- Web and Mobile Apps
- Calendar

BANKING

- Record Deposits
- Reconcile
- Write Checks
- Check Register
- Print Checks



# START UP EXPENSE DEDUCTIONS

Can write off up to \$5,000 first year

**THE NEXT \$ 45,000 IS AMORTIZED!**

Start up cost include

- Analysis or survey of potential markets, products, labor supply , transportation facilities etc.
- Expenses incurred while investigating the purchase of a business.
- Training wages for employees who will work in the business
- Travel and other necessary costs for securing prospective customer or distributors, or suppliers.
- Cost of professional services, such as executives and consultants

.

# ORGANIZATION COSTS

More for corporation or partnership

Must be incurred before the end of the first year the entity is in business.

Attorney fees or legal fees to create organization

Temporary directors

***Organizational meetings!!***

Accounting service for setting up corporation

State incorporation fees

# STATE ORGANIZATIONAL FEES

Cost Saving resource.

If you want to either form an LLC or Corporation...

Research advantages and disadvantages of this type of entity.

(Miss-conception need a corp to be in business and save taxes, houses or anything else to convince you to pay for their service)

**You can form your own business entity at much lower costs!!!**

**ALSO FILE REQUIRED CORPORATE INFORMATION STATEMENTS**



# California Secretary of State Debra Bowen

About the Agency  
About Debra Bowen



### Special Election ★ Information ★

**September 17, 2013**  
State Senate District 26  
State Assembly District 45

**September 24, 2013**  
State Assembly District 52

- News & Resources
- Public Records and Gifts
- Contact Information
- Agency Reports
- Multimedia
- Privacy Policy
- Career Opportunities
- Website Help

Site Maintenance Schedule  
California Home Page

### Elections

- Voter Registration
- Upcoming Elections
- Prior Elections
- Voting in California
- Ballot Measures
- Voting Systems
- Publications & Resources
- Frequently Asked Questions

### Political Reform

- Campaign Finance
- Lobbying Activity & Finance
- File Using Cal-Online
- Electronic Filing Information

### Registries

- Safe at Home
- Confidential Address Program
- Advance Health Care Directive
- Domestic Partners

### Business Programs

- Business Entities
- Notary Public
- Uniform Commercial Code
- Authentications:  
Apostille or Certification
- Special Filings
- Trademarks & Service Marks
- Victims of Corporate  
Fraud Compensation Fund
- Forms & Fees

### Archives

- State Archives Collections
- Minerva Online Catalog
- California Museum

### Other Services

- Bill Chapters
- California Roster
- Digital Signatures
- Regulations


### Alerts

Voter Accessibility Survey  
Check Status of Your Ballot

Election Information  
Información electoral  
選舉資訊  
चुनाव के बारे में जानकारी  
選挙情報  
ព័ត៌មានការបោះឆ្នោត  
선거 정보  
Impormasyon sa Halalan  
ข้อมูลเกี่ยวกับการเลือกตั้ง  
Chi tiết Về Bầu cử





# California Secretary of State Debra Bowen

Secretary of State

Administration

Elections

**Business Programs**

Political Reform

Archives

Registries

Other Services

## Business Entities (BE)

### Online Services

- E-File Statements of Information for Corporations
- Business Search
- Processing Times
- Disclosure Search

### Main Page

### Service Options

### Name Availability

### Forms, Samples & Fees

### Statements of Information (annual/biennial reports)

### Filing Tips

### Information Requests (certificates, copies & status reports)

### Service of Process

### FAQs

### Contact Information

### Resources

- Business Resources
- Tax Information
- Starting A Business

### Customer Alerts

- Business Identity Theft
- Misleading Business Solicitations

## Forms, Samples and Fees

Select the applicable entity type from the list below. Fees for all business entity filings and services can also be found on the [Business Entities Fee Schedule](#) (pdf~43KB).

- [Corporations](#)
- [Limited Liability Companies](#)
- [Limited Partnerships](#)
- [General Partnerships](#)
- [Limited Liability Partnerships](#)
- [Other Business Filings](#)  
(Unincorporated Associations, Foreign Lending Institutions and Foreign Partnerships [other than foreign limited partnerships])

**Changes to California Business Entity Filings:** Effective January 1, 2013, there are changes to California business entity filing requirements, relating to entity and agent addresses, future file date requests, and copy requests.

### [California \(domestic\) Corporations](#)

### [Foreign \(out-of-state or out-of-country\) Corporations](#)

### California Corporations (Filing Tips)

	Fees
1. <a href="#">Articles of Incorporation - General Stock (Form ARTS-GS)</a> (pdf ~276KB - REV 05/2013)	\$100.00




[Home](#)  
[Contact Us](#)  
[Website Help](#)

### What's New?

[News & Notices](#)  
Last updated:  
06-21-13

[Customer Alerts](#)  
Last updated:  
12-08-11

### Related Links

[Legislation](#)  
[California Codes](#)  
[California Regulations](#)  
[Private Service Companies](#)

# HOME OFFICE

Must be area exclusively used for business!

**Common deduction for tax fraud**

Must not have other office available

Draw floor plan of home and take pictures  
in case of audit

If you depreciate this area have to take  
capital gains when you sell your home!

New simplified plan

Employed

**Small Business/Self-Employed**

- Industries/Professions
- International Taxpayers
- Self-Employed
- **Small Business/Self-Employed Home**

**Small Business/Self-Employed Topics**

- A-Z Index for Business
- Forms & Pubs
- Starting a Business
- Deducting Expenses
- Businesses with Employees
- Filing/Paying Taxes
- Post-Filing Issues
- Changing Your Business

**Note:** This simplified option does not change the criteria for who may claim a home office deduction. It merely simplifies the calculation and recordkeeping requirements of the allowable deduction.

**Highlights of the simplified option:**

- Standard deduction of \$5 per square foot of home used for business (maximum 300 square feet).
- Allowable home-related itemized deductions claimed in full on Schedule A. (For example: Mortgage interest, real estate taxes).
- No home depreciation deduction or later recapture of depreciation for the years the simplified option is used.

**Comparison of methods**

Simplified Option	Regular Method
Deduction for home office use of a portion of a residence allowed only if that portion is <b>exclusively</b> used on a <b>regular basis</b> for business purposes	Same
Allowable square footage of home use for business (not to exceed 300 square feet)	Percentage of home used for business
Standard \$5 per square foot used to determine home business deduction	Actual expenses determined and records maintained
Home-related itemized deductions claimed in full on Schedule A	Home-related itemized deductions apportioned between Schedule A and business schedule (Sch. C or Sch. F)
No depreciation deduction	Depreciation deduction for portion of home used for business
No recapture of depreciation upon sale of home	Recapture of depreciation on gain upon sale of home
Deduction cannot exceed gross income from business use of home less business expenses	Same
Amount in excess of gross income limitation may <b>not</b> be carried over	Amount in excess of gross income limitation may be carried over
Loss carryover from use of regular method in prior year may <b>not</b> be claimed	Loss carryover from use of regular method in prior year may be claimed if gross income test is met in current year

**Selecting a Method**

- You may choose to use either the simplified method or the regular method for any taxable year.
- You choose a method by using that method on your timely filed, original federal income tax return for the taxable year.
- Once you have chosen a method for a taxable year, you cannot later change to the other method for that same year.

for Home Office Deduction

› RP-2013-13

Videos

› Simplified Home Office Deduction



**Make Taxes Easier**

Help us reduce your burden

Share your idea



# VEHICLES

Which vehicle used in a small business used exclusively for the business can you depreciate faster?

1. A \$228,000 Ferrari 458



2. A \$19,000 Ford Focus



# Same

## Vehicle Depreciation Limitations (Section 280F)

Tax year first placed in service:	2013
<i>Auto depreciation limitations based on 100% business or investment</i>	
1st year if special depreciation is claimed	\$11,160
1st year depreciation	\$3,160
2nd year depreciation	\$5,100
3rd year depreciation	\$3,050
Each succeeding year	\$1,875
<i>Trucks and vans depreciation limitations based on 100% business use</i>	
1st year if special depreciation is claimed	\$11,360
1st year depreciation	\$3,360
2nd year depreciation	\$5,400
3rd year depreciation	\$3,250
Each succeeding year	\$1,975

If using standard mileage deduction

Document (Google Map by itself is not good enough) document, document.

1. Need starting mileage, purpose of trip place of start time and date
2. Need ending mileage, purpose of trip and time of end

Only mileage from primary business location or office is deductible  
commuting mileage is not

If using vehicle as business expense document all commuting mileage and personal use of vehicle as well as business use.

Keep track of all vehicle expenses

This is to establish a percentage of use for business and pleasure

Usage must be over 50% to qualify for accelerated depreciation

# THINGS TO CONSIDER

You are a new business struggling

With proper documentation for income you may qualify for:

Reduced utility costs for your home.

Cal Fresh food program

Health insurance assistance

**If you have children you may qualify for earned income credit and child tax credits amounting to several thousand dollars extra refunded to you at tax time.**

**Plus more!!!!!!**



Pennies on the Dollar!!!!



**RONI LYNN DEUTCH**  
A PROFESSIONAL TAX CORPORATION

Not Currently Available in NY.

# 888-TAX-LADY

This **LAWYER ADVERTISEMENT** for services is offered by Roni Lynn Deutch, A Professional Tax Corporation, 4815 Yacht Ave., North Hollywood, CA. 91601, (800)304-7287. Our attorneys are licensed by the State Bar of California and may practice before the Internal Revenue Service in all 50 states. The services





## Brown Seeks \$34 Million From TV's Tax Lady Roni Deutch For Victimizing Thousands Who Sought Her Aid in Dealing With the IRS

Monday, August 23, 2010

Contact: (415) 703-5837



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SACRAMENTO – Attorney General Edmund G. Brown Jr. today filed a \$34 million lawsuit against television's "Tax Lady Roni Deutch" for orchestrating a "heartless scheme" that swindled thousands of people facing serious and expensive tax collection problems with the IRS.

"Tax Lady Roni Deutch is engaged in a heartless scheme that swindled people with tax problems," Brown said. "She promises to significantly reduce their IRS tax debts, but instead preys on their vulnerability, taking large up-front payments but providing little or no help in lowering their tax bills."

Deutch manufactures credibility by boasting that her tax resolution law firm, which has annual revenues of at least \$25 million, is the largest of its kind in the nation. She spends \$3 million a year on advertising, much of it on late-night cable TV, and frequently offers tax advice on NBC's Today Show, CNN, and CNBC.

Desperate debtors turn to Deutch based on her misleading ads that feature fictional testimonials claiming she secured large reductions in the featured clients' federal tax debts.

For example, her ad entitled "It's Your Turn" features three clients whom Deutch claims to have "saved" from having to pay thousands of dollars to the IRS. In fact, those clients still owe the IRS the full amount of their taxes, plus interest and penalties.

# FTC: American Tax Relief ran \$60 million scam as owners drove Ferraris

by [Jorgen Wouters](#)  Oct 6th 2010 4:30PM

The Federal Trade Commission [put the brakes](#) on a massive tax relief scam it says cheated struggling consumers nationwide out of more than \$60 million while its owners lived lavishly and collected luxury cars, including Ferraris, Bentleys and Rolls-Royces.

The FTC, which is seeking compensation from American

Tax Relief for its victims, asked a Chicago federal judge to halt the company's operations and freeze its owners' assets. The FTC lawsuit names names American Tax Relief LLC of Beverly Hills, Calif. and its two co-owners, Alexander Seung Hahn and Joo Hyun Park. Park's parents, Young Soon Park and Il Kon Park, are also named for allegedly holding funds obtained from customers.



Getty

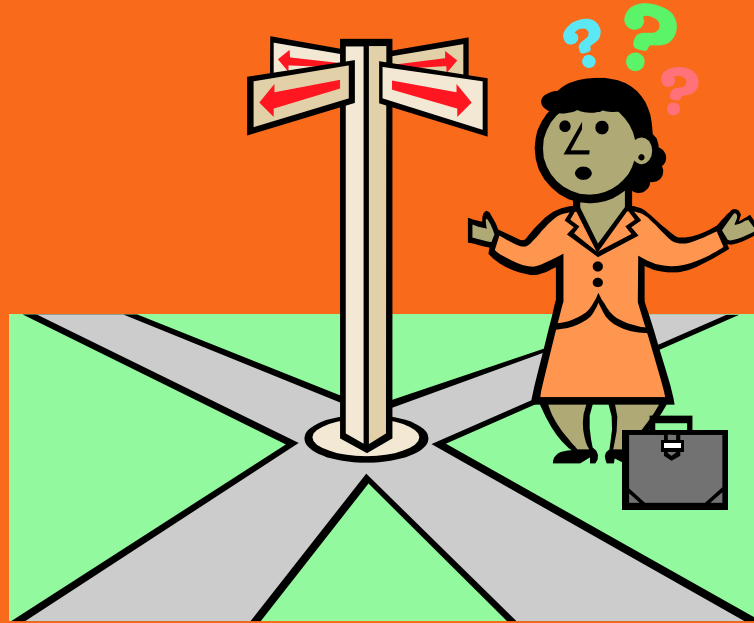
American Tax Relief charged up-front fees ranging from \$3,200 to \$25,000 for purported tax relief services. The company's ads included a toll-free number for consumers to call for a "free consultation." After speaking briefly with telemarketers who posed as "tax consultants," virtually all consumers were told they qualified, and that American Tax Relief could help them significantly reduce their tax debts, the [FTC complaint alleges](#).

But very few of the company's customers actually qualified for IRS programs. Most who used American Tax Relief made the cut only for installment payment plans, which still require payment of the full amount owed, and which many taxpayers can easily arrange by themselves for free, the FTC said.

Many consumers were also told they qualified for an "Offer in Compromise," the only Internal Revenue Service program that allows people to avoid paying the full amount of back taxes,

# WHERE TO FROM HERE?

THIS IS ALL GOOD BUT WHAT ABOUT ME?



# Let have some fun!

a few assumptions for a typical small business

## **NEGATIVES**

1. Grossly undercapitalized, *no money!!!*
2. Very limited credit if any!!
3. No help or labor. Have to do everything yourself!

Have to make choices between buying book keeping system and business cards.

# POSITIVES

ENTREPRENEURIAL SPIRIT

*PASSION*

*A PRODUCT OR SERVICE  
YOU BELIEVE IN!*

*WILL TO SUCCEED!*



- Corporations
- Partnerships
- International Businesses
- Small Businesses & Self Employed**

## Small Business and Self-Employed Tax Center



SB/SE serves taxpayers who file Form 1040, Schedules C, E, F or Form 2106, as well as small businesses with assets under \$10 million.

### [A-Z Index for Business](#)

Find it Fast! Know what you're looking for and want to find it fast? Select business topics using our A-Z listing, or by business type such as sole proprietor, corporation, etc. We also provide links to major business subjects, such as Business Expenses, which provides a gateway to all related information on that subject.

### Small Business/Self-Employed

- Industries/Professions
- International Taxpayers
- Self-Employed
- **Small Business/Self-Employed Home**

### Small Business/Self-Employed Topics

- [A-Z Index for Business](#)
- [Forms & Pubs](#)
- [Starting a Business](#)
- [Deducting Expenses](#)
- [Businesses with Employees](#)
- [Filing/Paying Taxes](#)
- [Post-Filing Issues](#)

- [Small Business Forms and Publications](#)  
Download multiple small business and self-employed forms and publications.
- [Employer ID Numbers \(EINs\)](#)  
Find out more on EINs or apply for one online.
- [e-File Form 940, 941 or 944 for Small Businesses](#)  
Learn your options for e-filing Form 940, 941 or 944 for Small Businesses.

- [Self-Employed Individuals Tax Center](#)  
The basics on self-employment, filing requirements, and reporting responsibilities for independent contractors.
- [IRS Video Portal](#)  
Video, webinars and audio presentations for small businesses, individuals & tax pros.
- [Small Business Events](#)  
Workshops and webinars on a variety of topics for small businesses.



## Sole Proprietorships

A sole proprietor is someone who owns an unincorporated business by himself or herself. However, if you are the sole member of a domestic limited liability company (LLC), you are not a sole proprietor if you elect to treat the LLC as a corporation.

If you are a sole proprietor use the information in the chart below to help you determine some of the forms that you may be required to file.

IF you are liable for:	THEN use Form:	Separate Instructions:
Income Tax	<a href="#">1040, U.S. Individual Income Tax Return (PDF)</a> and <a href="#">Schedule C (Form 1040), Profit or Loss from Business (PDF)</a> or <a href="#">Schedule C-EZ (Form 1040), Net Profit from Business (PDF)</a>	<a href="#">Instructions for 1040, U.S. Individual Income Tax Return (PDF)</a> <a href="#">Instructions for Schedule C (Form 1040) (PDF)</a>
Self-employment tax	<a href="#">Schedule SE (Form 1040), Self-Employment Tax (PDF)</a>	<a href="#">Instructions for Schedule SE (Form 1040) (PDF)</a>
<a href="#">Estimated tax</a>	<a href="#">1040-ES, Estimated Tax for Individuals (PDF)</a>	
Social security and Medicare taxes and income tax withholding	<a href="#">941, Employer's Quarterly Federal Tax Return (PDF)</a> <a href="#">943, Employer's Annual Federal Tax Return for Agricultural Employees (PDF)</a> <a href="#">944, Employer's Annual Federal Tax Return (PDF)</a>	<a href="#">Instructions for Form 941 (PDF)</a> <a href="#">Instructions for Form 943 (PDF)</a> <a href="#">Instructions for Form 944 (PDF)</a>

- Corporations
- Partnerships
- International Businesses
- Small Businesses & Self Employed**

### Small Business/Self-Employed

- Industries/Professions
- International Taxpayers
- Self-Employed
- **Small Business/Self-Employed Home**

### Small Business/Self-Employed Topics

- A-Z Index for Business
- Forms & Pubs
- Starting a Business
- Deducting Expenses
- Businesses with Employees
- Filing/Paying Taxes
- Post-Filing Issues

### Related Topics

- › [Business Structures](#)
- › [Forms for Sole Proprietorship](#)
- › [Husband and Wife Business](#)
- › [Independent Contractor \(Self-Employed\) or Employee?](#)
- › [Where to File Tax Returns - Addresses Listed by Return Type](#)

### Publications

- › [Publication 334, Tax Guide for Small Business \(For Individuals Who Use Schedule C or C-EZ\)](#)
- › [Publication 583, Starting a Business and Keeping Records](#)





FAQ | MAIN MENU

### Registration - Main Menu

For assistance during regular business hours call 1-800-400-7115 (TTY:711)

Welcome to the Board of Equalization's (BOE) on-line registration system. The BOE administers various tax and fee programs that fund state, county, city and special taxing jurisdictions. The type of permit, license and / or account required is dependent upon the type of business activity or personal use transaction. The BOE's on-line registration system will guide you through the process whether or not you know what type of registration you require. Answers to specific questions regarding your business activity or personal use transaction will direct you to the appropriate registration type(s) required.

[Information Needed to Get Started](#)

Select the option you prefer:

- [Register a business activity with BOE](#) ⓘ  
(Seller's Permit, Qualified Purchaser, Underground Storage Tank Fee and all other accounts)
  - [Add a new location to an existing account](#) ⓘ
- [Register for an International Fuel Tax Agreement \(IFTA\) Account](#) ⓘ
- [Register for a Timber Yield Tax Account](#) ⓘ
- [Apply for and purchase a California Fuel Trip Permit](#) ⓘ
- [Apply and purchase Annual Flat Rate Decals for private passenger vehicles](#) ⓘ
- [Pay use tax, file an exemption or request a tax clearance](#)  
(Vehicle, Vessel, Aircraft, or Manufactured Home/Mobile Home)
- [Pay use tax and/or the lumber products assessment on one time purchase](#) ⓘ

**eClient Login**

**User ID**

**Password**

[Forgot Password](#)

**SCHEDULE C-EZ  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name of proprietor

**Net Profit From Business**

(Sole Proprietorship)

► Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.

► Attach to Form 1040, 1040NR, or 1041. ► See instructions.

OMB No. 1545-0074

**2012**

Attachment  
Sequence No. **09A**

Social security number (SSN)

**Part I General Information**

You May Use  
Schedule C-EZ  
Instead of  
Schedule C  
Only If You:

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee.

And You:

- Had no employees during the year.
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service

B Enter business code (see page 2)

C Business name. If no separate business name, leave blank.

D Enter your EIN (see page 2)

E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return.

City, town or post office, state, and ZIP code

F Did you make any payments in 2012 that would require you to file Form(s) 1099? (see the Schedule C instructions)

Yes No

G If "Yes," did you or will you file required Forms 1099?

Yes No

**Part II Figure Your Net Profit**

1	<b>Gross receipts.</b> Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see Statutory Employees in the instructions for Schedule C, line 1, and check here	<input type="checkbox"/>	1
2	<b>Total expenses</b> (see instructions). If more than \$5,000, you must use Schedule C		2
3	<b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 and Schedule SE, line 2 (see instructions). (Statutory employees, do not report this amount on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3		3

**Part III Information on Your Vehicle.** Complete this part only if you are claiming car or truck expenses on line 2.

- 4 When did you place your vehicle in service for business purposes? (year, month, day) \_\_\_\_\_
- 5 Of the total number of miles you drove your vehicle during 2012, enter the number of miles you used your vehicle for:
- a Business \_\_\_\_\_ b Commuting (see instructions) \_\_\_\_\_ c Other \_\_\_\_\_
- 6 Was your vehicle available for personal use during off-duty hours?  Yes  No
- 7 Do you (or your spouse) have another vehicle available for personal use?  Yes  No
- 8 a Do you have evidence to support your deduction?  Yes  No
- b If "Yes," is the evidence written?  Yes  No

For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule C-EZ (Form 1040) 2012

### Itemized Deduction Phaseout Begins

MFJ, Single, HOH	300,000/250,000/ 275,000	n/a	n/a	n/a	\$ 166,800	\$ 159,950
MFS	\$ 150,000	n/a	n/a	n/a	\$ 83,400	\$ 79,975

### Standard Mileage Rate Per Mile, page 10-1

Business	56.5¢	55.5¢	Before 7/1 .... 51.0¢ After 6/30 ..... 55.5¢	50.0¢	55.0¢	Before 7/1 .... 50.5¢ After 6/30 ..... 58.5¢
Medical and moving	24.0¢	23.0¢	Before 7/1 .... 19.0¢ After 6/30 ..... 23.5¢	16.5¢	24.0¢	Before 7/1 .... 19.0¢ After 6/30 ..... 27.0¢
Charitable	14.0¢	14.0¢	14.0¢	14.0¢	14.0¢	14.0¢
Midwestern Disaster	n/a	n/a	n/a	n/a	n/a	Before 7/1 .... 36.0¢ After 6/30 ..... 41.0¢
Depreciation	23.0¢	23.0¢	22.0¢	23.0¢	21.0¢	21.0¢

### Section 179 Expense Limits, page 9-14

Regular 179 limits	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 250,000	\$ 250,000
SUV limits	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Investment phaseout begins	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$ 800,000	\$ 800,000

### Standard Deduction for Meals—High Low Method (Per Day), page 8-4

High cost localities	\$ 65	\$ 65	\$ 65	\$ 65	\$ 58	\$ 58
All other localities	\$ 52	\$ 52	\$ 52	\$ 52	\$ 45	\$ 45
Transportation workers	\$ 59	\$ 59	\$ 59	\$ 59	\$ 52	\$ 52

32	Earned Income Credit	Sch. EIC	For low-income earners.	No termination date	11-8
35	Health Coverage Tax Credit	8885	For individuals eligible for trade adjustment allowance or receive benefits from Pension Guaranty.	See <i>Expiring Tax Provisions</i> , <a href="#">Tab 1</a>	11-13
36	First-Time Homebuyer Credit	5405	Up to \$8,000 for first-time homebuyers. Certain taxpayers may be subject to repayment rules through 2023.	Expired—repayment may be required	11-10

The taxpayer must meet all the rules in this column.		whichever applies.	
<i>Rules for Everyone</i>		<i>Rules With a Qualifying Child</i>	<i>Rules Without a Qualifying Child</i>
<p>1) The greater of AGI or earned income must be less than:</p> <ul style="list-style-type: none"> <li>• \$13,980 (\$19,190 for MFJ) with no qualifying children,</li> <li>• \$36,920 (\$42,130 for MFJ) with one qualifying child,</li> <li>• \$41,952 (\$47,162 for MFJ) with two qualifying children, or</li> <li>• \$45,060 (\$50,270 for MFJ) with three or more qualifying children.</li> </ul> <p>2) The taxpayer (and spouse if MFJ) must have a valid Social Security number. Qualifying children listed on Schedule EIC must also have valid Social Security numbers except a child who was born and died in 2012. Adoption and individual taxpayer identification numbers (ATINs and ITINs) do not qualify. A Social Security number on a card that reads “Not Valid for Employment” does not qualify. A Social Security number on a card that reads “Valid for work only with DHS (or INS) authorization” qualifies.</p>	<p>3) Filing status cannot be “Married Filing Separately.”</p> <p>4) The taxpayer must be a U.S. citizen or resident alien all year. A nonresident alien can claim the credit if married to a U.S. citizen or resident alien and the nonresident alien chooses to be treated as a resident for all of 2012 by filing a joint return.</p> <p>5) The taxpayer cannot file <a href="#">Form 2555</a> or <a href="#">Form 2555-EZ</a> (relating to foreign income).</p> <p>6) Investment income must be \$3,200 or less. See <i>Investment Income Limit</i>, below.</p> <p>7) The taxpayer must have earned income. See <i>Earned Income</i>, below.</p>	<p>8) The child must meet the relationship, age, residency, and joint return tests. See <i>Qualifying Child</i>, <a href="#">page 11-8</a>.</p> <p>9) The qualifying child cannot be used by more than one person to claim the EIC. See <i>Uniform Definition Rules</i>, below.</p> <p>10) The taxpayer cannot be a qualifying child of another person.</p>	<p>11) The taxpayer must be at least age 25 but under age 65. For MFJ, only one spouse needs to meet the age test.</p> <p>12) The taxpayer cannot be the dependent of another person.</p> <p>13) The taxpayer cannot be a qualifying child of another person.</p> <p>14) The taxpayer must have lived in the United States more than half the year. United States does not include Puerto Rico or U.S. possessions, such as Guam. United States military personnel stationed outside the United States on extended active duty are considered to live in the United States for purposes of EIC.</p>

## Qualifying Child

For purposes of the Earned Income Credit, a child must meet all of the following four tests.

- 1) Relationship. The child must be the taxpayer's son, daughter, stepchild, foster child, or a descendant of any of them (for example, a grandchild), or brother, sister, half brother, half sister, step-brother, stepsister, or a descendant of any of them (for example, niece or nephew).
- 2) Age. The child must be under age 19 at the end of 2012, and younger than the taxpayer (or spouse if filing jointly); under age 24 at the end of 2012, a student, and younger than the taxpayer (or spouse if filing jointly); or permanently and totally disabled at any time during 2012, regardless of age.
- 3) Residency. The child must have lived with the taxpayer in the United States for more than half of 2012. Residence in Puerto Rico or a U.S. possession, such as Guam, will not qualify. A child who was born or died in 2012 is treated as having lived with the taxpayer for all of 2012 if the taxpayer's home was the child's home the entire time he or she was alive in 2012.
- 4) Joint return. The child cannot file a joint return for the year.  
*Exception:* The joint return test does not apply if the child and his or her spouse file a joint return only to claim a refund.



## Earned Income Credit Chart

	<i>Income Range</i>	<i>Income Range for Maximum Credit</i>	<i>Credit Amount</i>
<b>Married Filing Jointly</b>			
No children	\$0 – \$19,190	\$ 6,210 – \$12,980	\$0 – \$ 475
One child	\$0 – \$42,130	\$ 9,320 – \$22,300	\$0 – \$3,169
Two children	\$0 – \$47,162	\$13,090 – \$22,300	\$0 – \$5,236
Three children	\$0 – \$50,270	\$13,090 – \$22,300	\$0 – \$5,891
<b>Single, Head of Household, Qualifying Widow(er)</b>			
No children	\$0 – \$13,980	\$ 6,210 – \$ 7,770	\$0 – \$ 475
One child	\$0 – \$36,920	\$ 9,320 – \$17,090	\$0 – \$3,169
Two children	\$0 – \$41,952	\$13,090 – \$17,090	\$0 – \$5,236
Three children	\$0 – \$45,060	\$13,090 – \$17,090	\$0 – \$5,891

# EARNED INCOME CREDIT PROBLEMS

EITC errors include:

- Complexity of the tax law, including the need for congressional authorization of math error authority.
- Structure of the EITC.
- Confusion among eligible claimants.
- High turnover of eligible claimants.
- Unscrupulous tax return preparers.
- Fraud.

The IRS said that reductions in the EITC improper payment rate will be difficult to achieve. The following presents the IRS' estimated EITC improper payments for fiscal years 2003 through 2012.

<i>Fiscal Year</i>	<i>Minimum Improper Payments %</i>	<i>Maximum Improper Payments %</i>	<i>Minimum Improper Payments in Billions of Dollars</i>	<i>Maximum Improper Payments in Billions of Dollars</i>
2003	25%	30%	\$9.5	\$11.5
2004	22%	27%	\$8.6	\$10.7
2005	23%	28%	\$9.6	\$11.4
2006	23%	28%	\$9.8	\$11.6
2007	23%	28%	\$10.4	\$12.3
2008	23%	28%	\$11.1	\$13.1
2009	23%	28%	\$11.2	\$13.3
2010	24%	29%	\$15.3	\$18.4
2011	21%	26%	\$13.7	\$16.7
2012	21%	25%	\$11.6	\$13.6



## TAXES

# IRS paid more than \$110 billion in improper tax credits

Published October 22, 2013 • Associated Press  419  62  0

"The IRS should be commended for implementing numerous processes to educate Americans and identify and prevent improper EITC payments," George said in a statement. "Unfortunately, it is still distributing more than \$11 billion in improper EITC payments each year and that is disturbing."

"The IRS must do a better job of reining in improper payments in this and in other programs," George added. IRS efforts are hampered by unscrupulous tax preparers as well as honest families that have trouble figuring out how to calculate the complicated credit, the report said.

"The IRS appreciates the inspector general's acknowledgement of all our work to implement processes that identify and prevent improper EITC payments," the IRS said in a statement. "Every year, the IRS conducts 500,000 EITC audits as part of a broader enforcement strategy, and EITC claims are twice as likely to be audited as other tax returns."

The agency said it prevents "nearly \$4 billion in improper claims each year and is committed to continuing to work to reduce improper claims."

The EITC is one of the nation's largest anti-poverty programs. In 2011, more than 27 million families received nearly \$62 billion in credits.

## Indiana Man Sentenced for Tax Fraud

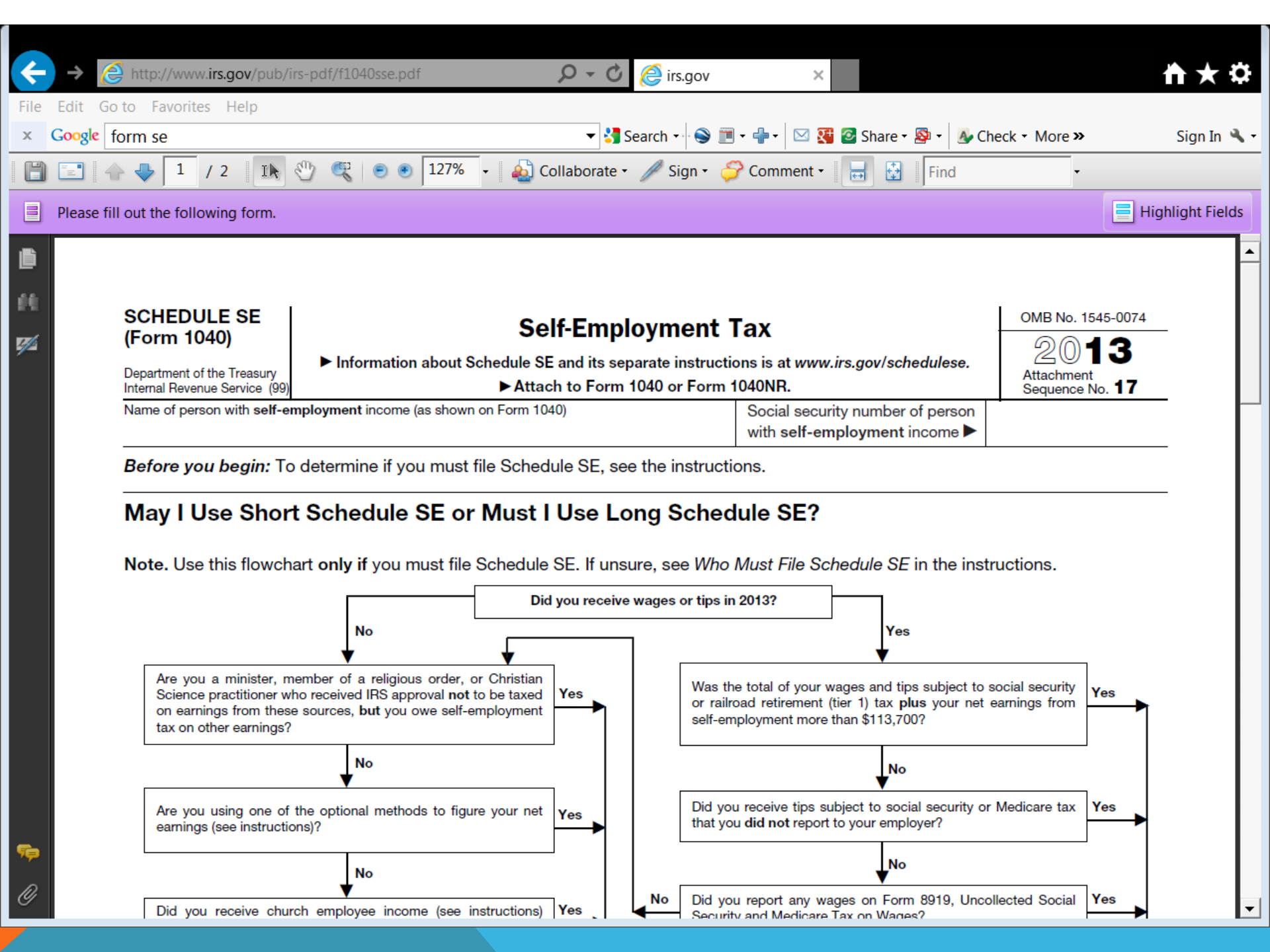
On July 10, 2013, In Hammond, Ind., Charles Standifer, of Gary, Ind., was sentenced to 18 months in prison and one year of supervised release. Standifer pleaded guilty in July 2011 to aiding and assisting in the preparation of a false tax return. According to court documents, Standifer prepared an income tax return for the calendar year of 2009 where he included a false Schedule C net profit of \$11,930 and an **Earned Income Credit of \$4,430**, despite knowing the taxpayer was not entitled to the net profit or the **Earned** Income Credit.

Actual costs of doing business on a daily basis  
Self employed no employees.

1. Social Security	12.4%
2. Medicare	2.9%

Total

**15.3%** *of net income from self  
employment activities  
regardless of personal income  
after deductions*



**SCHEDULE SE  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

# Self-Employment Tax

► Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).  
► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

**2013**  
Attachment  
Sequence No. **17**

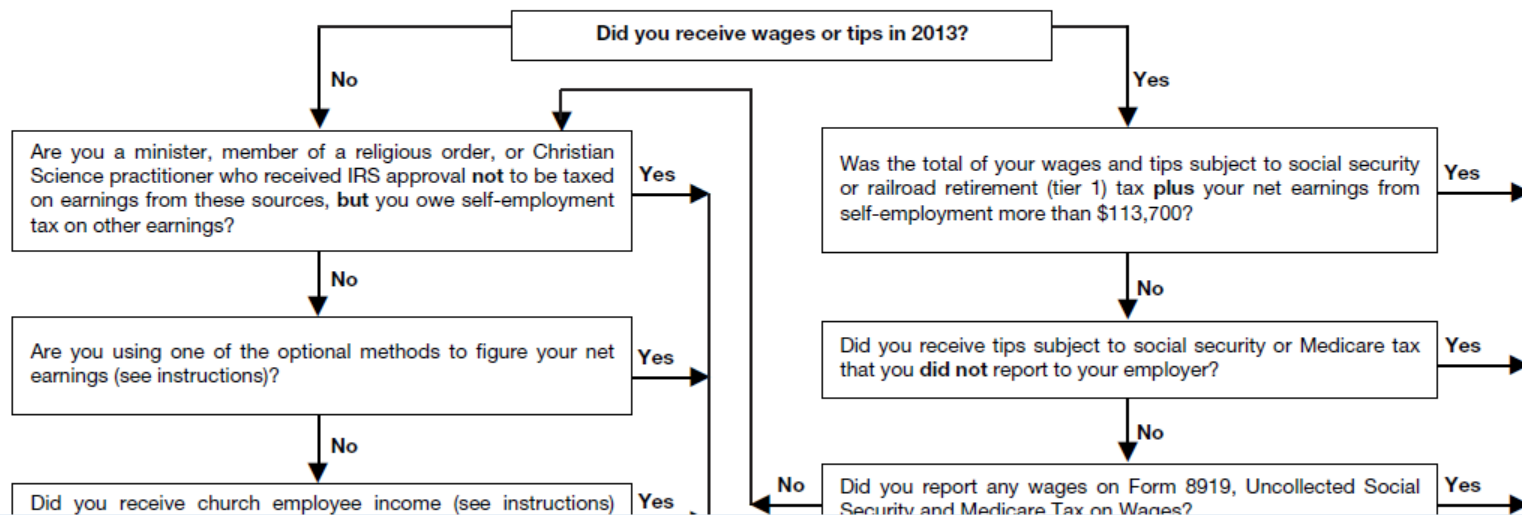
Name of person with self-employment income (as shown on Form 1040)

Social security number of person  
with self-employment income ►

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

## May I Use Short Schedule SE or Must I Use Long Schedule SE?

**Note.** Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



Actual costs of doing business on a daily basis  
Employees.

	1. Social Security	6.2%	
	2. Medicare	<u>1.45%</u>	
Total			7.65 % of net income from self employment activities regardless of personal income after deductions

*Amount based on first \$7,000 of income*

	FUTA Tax	6.00%	
	less state credit	<u>-3.40%</u>	
		2.6 %	
<hr/>			
State unemployment tax		<u>3.40%</u>	
Total Taxes		<b>13.65%</b>	

# PRICING

Assume approximately **20%**  
net income will go to taxes?

includes 10% minimum income tax

Price accordingly



# The Race Horse?

