

Leif Jensen and Associates

Newsletter

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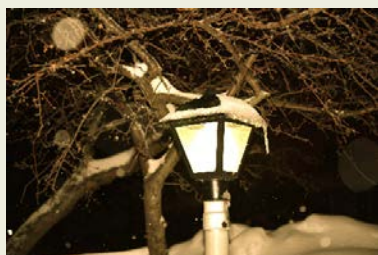
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Dear Reader,

As CPA's we are committed to providing a full range of high quality professional services including: accounting, bookkeeping, consulting, payroll, management advisory services, income tax preparation, auditing and other attestation services. Our goal is to meet our client's expectations as their most trusted advisor.

If you need help preparing your 2013 taxes, please call our office to schedule an appointment.

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How Much is My Refund Going to Be?

I was meeting with a business owner and their spouse for a wrap up of the year. It had not been a good year there were losses. So after some discussion the spouse turned to me and said. "Since we lost all of this money how much is our refund going to be?"

I replied. "How much did they have withheld from their paycheck."

The spouse looked at me blankly. I know most people think that the government is giving them free money when they get a refund. In actuality the government is returning your interest free loan back to you after they used and abused it.

The government only gives free money to the poor and that is through the EIC and that has been abused by people for years. But I digress.

The spouse then stated that they paid all of this money in taxes so they expected to get all of that money back. So I then explained to both the client and the spouse that even though they had paid the payroll taxes the government was not planning on giving it back to them. At best it would go to the employees if and when they retire and received Social Security and Medicare. I also explained that the federal and state withholding monies were a portion of the employee's gross pay that they never saw and might get back on their personal tax returns.

So if you want a tax refund, make sure that you loan the government your money interest free and wait to get it back.

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Dates to Remember

- Valentine's Day
- W-3; W-2, 1096 and 1099 due to Government

This Month's Featured Service

Bookkeeping

We can facilitate the data entry for your billing preparation; check writing, recording of deposits and bank reconciliations. We will present you with cash flow analysis, accounts receivable and payable reports on demand.

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Current IRS Hot Button Issues

Some of the issues that the IRS is currently admitting to as frequent audit issues.

Writing off a hobby loss; your chances of winning the audit lottery increase if you have wage income and file a Schedule C with large losses. Especially if the activity sounds like a hobby: dog breeding, car racing, anything with horses.

Also, the IRS is actively scrutinizing rental real estate losses, especially those written off by taxpayers who claim to be real estate professionals and who have W-2 forms or other non-real-estate businesses show lots of income. This is a typical way of those whose income is over the \$150,000 level where passive losses are nondeductible. The IRS are looking to see if the records show that those who claim to be Real Estate Professionals meet the requirements starting with those who cannot show that they spent over 50% of their working hours or at least 750 hours each year materially participating in real estate activities.

Running a small cash business, it seems that those who run cash businesses may not all be completely honest. Owners of cash-intensive small firms such as taxis, hair salons, car washes.

There are ways to accurately meet all of the IRS requirements and have one or more of these businesses. But recordkeeping is key.

Middle Class Tax Planning

I always find it interesting when I am meeting with clients who are in the top 10% of all taxpayer who consider themselves to be the middle class. For the true middle class of tax paying Americans, the 50% threshold is approximately \$35,000. So rejoice you are the wealthy!

Fortunately or unfortunately at least in the Chicago area it is not difficult to be in the top 10% of taxpayers and still be living paycheck to paycheck. With a threshold of \$117,000 or so, we can have two people making \$60,000 each; have a mortgage, HELOC and two car payments and being a sneeze away from every thing collapsing.

These are the people who should actively be looking for ongoing tax planning and advice. I have seen those who in this group not saving anything to a fraction of the amount they will need for their future. Some are even paying for medical insurance with after tax dollars.

There are some options available to this class of taxpayers. W-2 earners are more restricted than small business owners; but there are options that can reduce your tax liability. For more information give us a call.

-Leif Jensen

Featured Client



We feel comfortable in saying that we think differently than most. After all, who would come up with a name like ours. We checked. Nobody. Creative thinking leads to creative doing and both are talents that we continue to refine in order to provide unique creative solutions for our clients. When creating, some think outside the box. When we create, there is no box.

We transition our clients' concepts into creative collateral. Finding that creative mix for the right solution. Our partners include creative programming, commercial/advertising photography, content writing, translation, search engine optimization and video/multimedia production. 3MA Studios is able to take care of specific needs for the client's project without carrying the overhead of unneeded services. That gives the client access to professional creatives with a single point of contact.

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