

# Leif Jensen and Associates

Newsletter

June, 2013

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## It happened in June:

The first United States Mint was established in Boston, 1652.

Jefferson Memorial was created, Washington D.C., 1934

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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.

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## Schedule C and the Side Business

I have always encouraged clients to find their passion and start a side business. It seems that others where thinking somewhat along the same lines, but not quite as I would recommend.

Looks like one wanted to make himself an audit target? They filed a Schedule C listing no income.

This was a history professor who had scaled back his teaching to devote time to writing plays and historical studies.

But he failed to earn any income from writing for nine years, showing big losses from deducting the cost of annual trips to France. The Tax Court said his writing was a hobby and denied his losses.

My guess is that he had no detailed business plan. He probably had not outlined the business purpose for the trips, nor identified possible publishers. An agent would also help in a defense of this type of business. I is also possible that I would have told him to give it up or find some revenue over the nine years.

There are ways of addressing a number of issues for starting a business. But advice from a professional can go a long way in preemptively dealing with the IRS.

Westrich, TC Summ. Op. 2013-35

## Dates to Remember

- Father's Day
- Second Quarter Estimated Payments Due
- First Day of Summer

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## This Month's Featured Service

### Consulting and Management Advisory Services

We work closely with company managers and owners, on business and marketing planning. We also assist with cash flow management and governmental report compliance. We review operations for efficiency, profitability and security.

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## Retail, Service or Rental

Again, you are aware that I am an advocate of most starting a side business to generate additional income, with a possible eye to growing it into a real business that will replace the job they hate.

I actually just had this discussion with a client. He is a partner in a large business with no direct control; thus is handcuffed in what and how he can do things. So, more employee than entrepreneur. The spouse is a W-2, so again no flexibility. They have been discussing before I even mentioned it. But they came up empty handed.

I had a discussion with another client that is struggling to decide what to do with the corporation that they started. The incorporation process was to motivate them to get started. It has not worked to date.

But, I was explaining that they have truly only three options. Retail, service and rental as their only real business options for ease of entry into the business world. The manufacturing process is more labor and cash intensive that most start-ups are willing to commit to.

Both clients agreed that my assessment of their situation was correct. Now to get them to do something about it.

## The Myth of Property Ownership

During this tax season, I was told of a situation where a county employee bought a home for its back taxes. It seems that the owner passed away and the daughter who lived with her mother was a bit careless in handling the estate and so was unaware that the taxes were not paid. My advice was to contact an attorney and fight this, there must be remedies available. I am very thankful that neither party was a client, I was getting the story second hand.

But this goes back to the education that I am trying to impart on my sons. We never truly own the property you purchased. You always have your silent partner picking your pocket twice a year. I joke with them that if you want to find out how free a country this is don't pay your property taxes and see what happens.

With our home the property taxes have gone up 150% since we moved in. This with the declining government services seems like a great deal for us and the neighbors.

What I cannot wait to see is how much the county thinks it can squeeze property owners before the revolt.

## Featured Client



# Gloria Ortiz

Licensed Real Estate Broker

I have been in the real estate industry since 2005 and have experience in the commercial, residential and rental industries. I am bilingual in Spanish and English, work 7 days a week and travel anywhere in Illinois.

The next time you are in the market for buying, selling or renting, feel free to contact me:

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