

BottomLine

Just a quick chat from your accounting firm

FREDRICKZINK & Associates
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Fall 2014

After all the summer trips...now it's fall.

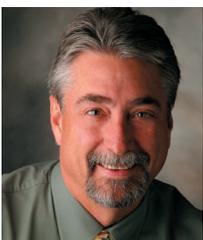
HOW DID IT GET TO BE AUTUMN?

The summer went by pretty quickly around here. For you too? We suddenly realized we hadn't published our summer newsletter. We know you were waiting for it in the mail and it never came! Right. Our apologies. But that's behind us now...the summer months and the summer newsletter. Now it's fall. The season when white is relegated to the closet but okay for the mountain peaks, and the coats come out while golden aspen leaves coat our lawns. This time of year, you feel a chill in the air and get a thrill on Halloween. It's the ever-earlier creeping holiday season, and before you know it your tax organizer shows up in the mail from yours truly. Happy New Year.

Don't despair. Here's 12 songs to download from iTunes® (or wherever you get your music) that will help you enjoy Autumn without missing a beat!

The Boys of Summer - Don Henley
Autumn Changes - Donna Summer
Harvest Moon - Neil Young
Autumn in New York - Ella Fitzgerald and Louis Armstrong
Last Days of Summer - The Cure
Leaves That Are Green - Simon & Garfunkel
Forever Autumn - Moody Blues
September - Earth, Wind & Fire
Autumn Leaves - Eva Cassidy
Autumn Serenade - John Coltrane
Wake Me Up When September Ends - Green Day
Leaves in the River - Sea Wolf

Happy Fall - take a trip to see us when you get a chance!



Chuck Fredrick, CPA



Sidny Zink, CPA

MAKE SURE YOUR CHARITABLE CONTRIBUTIONS COUNT

Check the paperwork when you write your check!

As you think about end of the year charitable contributions be sure that they will count as deductions in the very picky eyes of the IRS. If the paperwork for your charitable contribution does not comply with tax regulations, you will lose your tax deduction. In two recent U.S. Tax Court cases, taxpayers were denied tax deductions for their charitable contributions because their documentation did not comply with tax regulations. Charitable contributions were made to qualifying charities – there was no question about that – but taxpayers lost tax deductions because the paperwork was not in order. What do taxpayers need to do to preserve their tax deductions?

Check the wording of the charity's acknowledgement letter.

If a charitable contribution is worth more than \$250, obtain a written acknowledgement from the charity that meets the following requirements:

- Describes the noncash property or amount of cash received by the charitable organization
- States whether the charitable organization provided any goods or services in exchange for the donation and, if goods and/or services were provided, includes a description and a good faith estimate of the value of the goods or services
- Provides an acknowledgement of the contribution dated within the appropriate time frame
- Meets additional documentation requirements if property is valued over \$5,000 or is a qualified vehicle

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970.247.0506

It's a Numbers Game 10 TAX AUDIT FLAGS

1. YOU DEDUCT YOUR HOME OFFICE

The home office deduction is one of the most complicated and abused deductions in the tax code, which is one of the reasons the IRS is introducing a new, simplified system. This year, you can simply claim \$5 per square foot of workspace, up to 300sf. The deduction will be capped at \$1,500 per year and the form for claiming it will be simplified. That doesn't mean there isn't still room for error. The IRS's definition of a home office remains unchanged: your home office must be your primary place of business and used exclusively for work.

2. YOU CLAIM BIZARRE DEDUCTIONS

Air conditioning for an excessive sweating disorder, a nose job for a wine taster are deductions that can spark suspicion from the IRS. But don't let that stop you from claiming them if they are legitimate. Both the nose job and the air conditioning unit were allowed, for example. (Seriously.) Others, like used underwear donated to charity or medical bills for pets, were not. Ask us. We'll help.

3. YOU'RE A MILLIONAIRE

The more income you report, the higher the likelihood you'll get hit with an audit. While the audit rate stands at a low 1% overall, it jumps to 9% for people earning between \$1 million and \$5 million and to an even higher 18% for people with incomes between \$5 million and \$10 million.

4. YOU CLAIM THE SAME CHILD SOMEONE ELSE DOES

If your "ex" files their taxes before you and claims your child as a dependent, the IRS is going to be very suspicious when your return comes in claiming that same child as your dependent. This often happens when a couple gets divorced and one parent has primary custody, but the other still tries to claim the child as their dependent. Or when a grandparent is the sole caregiver, but the parent still claims the child as their own. Even if you're in the right, the IRS may force you to provide extensive proof that the child you are claiming does indeed qualify as your dependent.

5. YOU HAVE MONEY ABROAD

The IRS has been on a crusade to retrieve money that's been illegally stashed in overseas accounts. So even if you have money in a perfectly legal account abroad, you need to report it or you could be in big trouble. Failing to disclose assets exceeding \$10,000 that are held in offshore accounts could result in penalties, including a fine of up to \$100,000 or 50% of the account balance, whichever amount is greater. **OHI!** (that's Ouch! in Italian which is a language they speak in Switzerland).

6. YOU CLAIM THE EARNED INCOME TAX CREDIT

Fraudsters love the Earned Income Tax Credit, a refundable credit of as much as \$6,000 depending on your income and how many children you have (the more children, the bigger the credit). That's why the IRS tries to make sure that this credit is only doled out to people who deserve it.

7. YOU DEDUCT GAS COSTS

Most employers reimburse you for driving-related costs like gas. So if you try to deduct hundreds or thousands of dollars' worth of automobile costs as a business expense, that's going to raise eyebrows at the IRS. And if you own a business, you can only deduct business-related costs. The gas you buy for your personal driving costs cannot be mixed up in that, or the IRS will ask for documentation of everything.

8. YOUR "BUSINESS" IS REALLY A HOBBY

Who wouldn't like to turn their favorite hobby into a business? Year after year, taxpayers continue to report losses on their taxes from businesses that are really just activities they like to do for fun. But the IRS won't be fooled. The general rule is that if the venture hasn't earned a profit in three out of the last five years, it's usually not a legitimate business.

9. YOU FAIL TO REPORT INCOME

For those who earn money from a variety of different sources, it can be easy to forget a stray account. Don't

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MAKE SURE YOUR CHARITABLE CONTRIBUTIONS COUNT *con't from page 1*

Comply with appraisal requirements if you are donating property.

For a charitable contribution of property worth more than \$5,000, there are extensive requirements for substantiation of value. For example:

- The appraiser must be qualified and independent
- The appraisal must be prepared at the appropriate time (less than 60 days before the gift and before the due date of the tax return)
- The appraisal document must be in writing
- An appraisal summary (Form 8283), with signed statements and detailed information, must be attached to the tax return
- See Form 8283 for additional requirements for certain types of property.

And most importantly, make sure you have the appropriate paperwork **before you file your tax return - the IRS won't let organizations revise paperwork after the due date of the tax return.** Let us know if you have any questions!

It's a Numbers Game *con't from page 2*

forget about small brokerage accounts you have. Because investment firms aren't required to submit documentation for their clients until the end of the February, it's often a good idea to wait until the beginning of March to file your return to make sure the reporting lines up. If you worked side jobs and earned more than \$600 at any one of them in a year, those employers should send you a Form 1099 so you can report that income on your taxes as well.

10. YOU'RE VERY CHARITABLE

Be careful not to overstate your good deeds. The IRS has calculated the average donation level for each income range, so anything that far exceeds those amounts could cause the agency to take a second look at your return. You're required to keep receipts for any donations exceeding \$250, and to fill out Form 8283 for any non-cash donations exceeding \$500.

Source: money.cnn.com

C.P.A.s *Company Personnel Announcements*



Michelle Sainio CPA, CGMA – Promoted to Audit Manager

Michelle joined FZA in 2006 and dedicated herself to developing expertise by working with construction contractors, long-term care facilities and nonprofit organizations throughout Colorado. She currently serves as the President of the Four Corners Chapter of the Colorado Society of CPAs, Treasurer of the Women's Resource Center, and Finance Committee Co-Chair for La Plata County American Cancer Society. Congratulations Michelle.



Meet Zeb – The New Guy

Zebulon Smith, CPA has joined our firm as a senior accountant. A Gunnison native, Zeb graduated Drury University in Missouri, moved to Denver where he worked for RubinBrown LLP, a large regional firm, and eventually to Durango. He'll concentrate on audit and accounting services for us here. He's a hiker, runner, camper, fisherman and snowboarder. (Now that's different for a person who loves living in Durango, isn't it? ;-)



Meet Kristi – The New Gal

Kristi Cowham joined FZA during the summer and is our Firm Administrator, focusing on IT, marketing, business development and human resources. Kristi grew up in Sacramento, CA and graduated from Humboldt State University. Before joining us, Kristi worked as an Office Administrator and held positions in the financial services field in Durango. Kristi is an avid soccer player, rafter, climber, hiker, camper and snowboarder. In other words, she fits right in here in Durango!

CREATIVE ACCOUNTING TAKEN TO A NEW CANVAS



FZA took to the canvas during our Firm Fun Day in August at Cocktails and Creations in downtown Durango. (Yes...this is what we were doing instead of writing your summer newsletter!) What a great way to “brush up” on our creativity fueled by some liquid courage. No...these were NOT paint by numbers. Although we’re pretty sure we accounting-types would have aced that class!

It's fall. Go ahead...get yourself a 380 calorie pumpkin spiced latte!

954 East Second Avenue | Durango, Colorado 81301



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