BUILDING WEALTH IN CHANGING TIMES

The Solari Report

DECEMBER 4, 2014

Year-End Tax Planning

with Patty Kemmerer

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C. AUSTIN FITTS: Ladies and Gentlemen, it's my privilege to welcome to The Solari Report a wonderful CPA who has joined us before, Patty Kemmerer, who was a principal and founder of Kemmerer CPAs in Centerville, Virginia. She is very experienced with both small business and not for profits and individuals. Her breadth is extraordinary. I know because I've worked with her for many years, since the mid 90's. I lost her at one point but was able to get her back when she started her own firm.

She joined us last year on The Solari Report, and I can think of no one better to cover the issues of tax planning at the end of the year. One of my favorite news sites says, "All the news while there is still time to do something about it." Being the first week in December, this is a good time to look back at 2014 and say, "What do I need to do before the year closes to make sure I've got my taxes in order, and what do I need to think about and plan for in 2015?"

I asked Patty to join us again this year, and I am delighted that she could. Patty, welcome to The Solari Report.

PATTY KEMMERER: Thank you very much. I appreciate you having me back again.

C. AUSTIN FITTS: Well, you know, one of the questions I am going to ask you later on in the conversation is: How do I find a good CPA? I get asked that all the time because the first thing somebody says is, "Are you happy with your CPA?"

I say, "Yes, I have a fabulous CPA."

Then the next question is always, "How do I find someone like them?"

All I can tell you is it was very serendipity how I met you, but I have to say I lucked out.

Let's just dive in. We have a long list of things to talk about, but before 12/31 why don't you walk us through some of the most important things we need to think about? Let's just start with retirement plans because that is one I get a lot of questions with at the end of the year.

Walk us through what you would focus us on for our retirement plans.

Patty Kemmerer: Sure. I think one of the best things that you can do if you are an employee is try to maximize your retirement plan contributions. If they are pre-tax, every dollar that you put into that retirement plan is not taxed on line 1 of your W-2 form. That definitely saves you tax dollars today and puts money away for you for the future.

If you are under 50, through the end of 2014 you can put in $17,500. For a person who is 50 or over, $23,000 is the maximum contribution for 2014. All those dollars are pre-tax. They sit there and they earn money for you until you are ready to retire.

The theory is that when you retire you will be in a lower tax bracket, and those dollars – if they are pre-tax – will be taxed when you pull them out. The theory is that you will be in a lower tax bracket at that time so you will pay a lower amount of tax later than you will today if you take it as payroll in your paycheck. That's a great way to plan for the future and save some tax dollars today.

C. Austin Fitts: Patty, I was going to skip to the Roth. That's for a regular IRA. Is the amount the same for a Roth?

Patty Kemmerer: It's an employer retirement plan that I'm talking about – a 401k plan that is not a Roth. That is one thing that you can possibly do before the end of the year, particularly if you are getting a bonus. You can possibly maximize your 401k.

For self-employees, they have until the due date of their tax return to

fund a solo 401k or a SEPP which is a self-employed pension plan. The 401k plan has to be established by December 31st of this year, but you have until the due date of the tax return plus extensions to fund it.

The SEPP can be established up until the due date of the tax return plus extensions. So, there is still time to plan if you are a self-employed person.

"Contributions to a Roth 401k and a Roth IRA are not pre-tax dollars. Those are post-tax dollars that you put aside."

Contributions to a Roth 401k and a Roth IRA are not pre-tax dollars. Those are post-tax dollars that you put aside. That money continues to grow for you until you reach retirement age, which is 59 ½. As long as you have had a Roth IRA or a Roth 401k plan established for at least five years, once you reach that retirement age you can take those monies out tax-free, including the earnings on the contributions. That is a really great way to plan for your retirement in the future.

The other great thing about a Roth is that you don't have a minimum required distribution that you have to take, unlike a regular 401k or a regular traditional IRA. You never have to take the money out should you choose not to do so.

You can also continue to put money aside in those Roth's as long as you have earned income, even after age 70 ½, unlike a regular traditional IRA plan.

C. Austin Fitts: Okay. And what about qualified withdrawals from retirement plans?

Patty Kemmerer: Right. Qualified withdrawals occur once you're at 59 ½ and you've had the plan open for at least five years for a Roth or if it's a traditional or a regular 401k you don't have to have it established for at least five years to avoid penalty.

Those are qualified distributions, but in addition there are some other

qualified withdrawals that you can make that are not going to be subject to penalty. You can withdraw up to $10,000 for a first-time home purchase out of your retirement plan if you are not 59 ½ yet and not have to pay a penalty on that money. If it's from a traditional, you will pay the taxes. If it's from a Roth, you will not have any tax consequences on that.

You can also withdraw for post-secondary education expenses. Withdrawals due to death and disability are also not subject to penalty, and withdrawals for unreimbursed medical expenses that exceed 10% of your adjusted gross income if you were born after 1950 or later. For those born before 1949, that threshold is 7.5%.

If you do have some major medical issue that you need to withdraw from your plan to pay the expenses, you can do that without penalty once it exceeds the threshold of 10% of your adjusted gross.

C. Austin Fitts: Patty, the withdrawal for postsecondary, is it for your own, or can you do it for a child or relative?

Patty Kemmerer: The postsecondary education expenses, if it is a dependent of yours there would not be any penalty for that. I'm not sure about others who are not dependents, but I can check on that and get back to you with an answer.

C. Austin Fitts: No worry. If it comes up I'll let you know.

Let's skip to 529 plans because as people worry about paying for college for kids and grandkids I'm getting more and more questions about 529 plans. Why don't we skip to that?

Patty Kemmerer: Okay. It's not too late to contribute for 2014. Contributions to a 529 plan are not deductible for federal income taxes, but most states allow a deduction for funding of a 529 plan.

Once the beneficiary starts withdrawing for their higher education expenses down the road, it's not taxable to the beneficiary as long as it

doesn't exceed their qualified education expenses.

Also, you can roll over these 529 plans from one to another as long as you do so within 60 days of the distribution without any penalty. They can be moved.

C. Austin Fitts: I was amazed. I was very concerned that people putting money into 529s would not be able to pay for foreign education, and increasingly now for kids it's a tremendous benefit to spend time abroad or get educated abroad. I went to the Department of Education website to look at what foreign schools would accept – or what schools were eligible for 529 funding – and I was astonished. It's hundreds and hundreds.

The whole 529 program just keeps getting more and more flexible. It's incredible.

Capital gains. This is the one that as an investment advisor everybody always thinks of at the end of the year, taking losses and gains on the portfolio before year-end or waiting until next year. Walk us through capital gains and losses.

Patty Kemmerer: Yes. Capital gains everybody is concerned about towards the end of the year. One of the things I always mentioned to folks – and, of course, I'm not an investment advisor – if you have capital gains in your portfolio, talk to your investment advisor about perhaps harvesting some losses or perhaps some underperforming investments that can offset some of those gains. That's always one approach that you can take to look at and evaluate your portfolio to see if you have anything there that you can use to shelter those gains.

The capital gains rates for 2014 range from zero percent for the lower income tax payers up to 20% for the highest income tax payers. Those rates are directly related to what tax bracket you are in. Most tax payers fall into the 15% or below capital gains rate.

The other thing that you have to be concerned about with capital gains

and other investment income is this new net investment income tax of 3.8% on investment income for tax payers with a modified adjusted gross income of $200,000 or more for a single tax payer and $250,000 for married filing jointly or surviving spouse. That drops to $125,000 for married filing separate tax return.

The investment income generally includes interest, dividends, capital gains, rent, and royalty income, and non-qualified annuities. It's not just capital gains but other investment income as well that can be subject to this 3.8% if your modified adjusted gross income is over those thresholds that I just mentioned.

C. Austin Fitts: It's quite a hit.

One of the things I wanted to ask you, Patty, is we have many subscribers in our network who have both securities capital gain stocks and bonds but also invest in all sorts of tangibles which have a 28% rate. The question is: If you have a loss on a tangible or a gain in a tangible, can it be netted with your losses or gains on the securities investments? Are they net-able?

Patty Kemmerer: I believe that they are. I will double-check that and let you know for sure, but I believe that they are. We let our computers do all that thinking for us, so we tend to forget the details. I will double-check that and get back to you.

C. Austin Fitts: All my client CPA's come back and say, "Yes, it is," but I always like to confirm.

Patty Kemmerer: My gut reaction is that it is definitely net-able, but I will double-check and confirm that for you.

C. Austin Fitts: Okay. I'll post that.

Estimated tax payments. This is always the painful one.

Patty Kemmerer: It is. Estimated tax payments are supposed to be paid

throughout the year. A lot of times people don't realize that they need to make them until they get close to the end of the year and they find out they're getting a huge capital gain distribution from an investment, for example.

I have a client who called me yesterday who found out he's getting a huge royalty that he wasn't expecting, so now he has to increase his estimated tax payments.

The fourth quarter payment is actually due on January 15th of 2015. The issue becomes if you haven't paid the first three quarters the IRS assumes that you earned evenly throughout the year which, of course, we all know doesn't actually happen. If you find that you're in this situation, you can make your fourth quarter payment, and when it comes to tax time you can file a form 2210 showing how you earned your income throughout the year and the related deductible expenses that you have on your tax return.

This can inform the IRS, "Hey, I didn't earn this equally throughout the year. I got this big windfall in the fourth quarter and this is why I didn't pay taxes on the first three quarters." This will reduce penalties and interest on your late payment of the tax that you owe for the year.

C. Austin Fitts: Don't you need to make the state estimated by the end of December if you want to get the deduction on your federal?

"If you want to get a deduction on your federal, even though it's not due until January 15th, if you make it by December 31st you will be able to deduct it from your Schedule A for 2014."

Patty Kemmerer: That is correct. If you want to get a deduction on your federal, even though it's not due until January 15th, if you make it by December 31st you will be able to deduct it from your Schedule A for 2014. If you wait until January to make the payment, you won't be able to deduct it until the following year.

C. Austin Fitts: When I worked in Wall Street I was married to a law firm

partner. We were adamant about rushing to make that December payment because it was so big and New York state taxes were some of the worst.

Let's turn to gifting. Gifting is very important in our networks. Walk us through what the gifting numbers are for this year because it's going up a little bit.

PATTY KEMMERER: Well, you can gift to another person up to $14,000 without having to file a gift tax return. What a lot of people don't understand about gifting is that the gift tax is imposed on the person who gives the gift, not the person who receives the gift. Most people think it's the person who gets the gift who has to pay gift tax and that is not the case.

A married couple, for example, could each gift $14,000 to a child or a parent, and that would be a total gift of $28,000 that they could give without having to file a gift tax return.

A gift tax return is a way to let the IRS know, "Hey, I've made lifetime gifts." Those gifts during your lifetime reduce the exclusion that your estate gets when you pass away. It usually is not currently taxable, but it is an information return that has to be filed by April 15th, or it can be extended out until October 15th as well. If you exceed the $14,000 of gifting to any one person, you do have to file the form and report the information to the IRS so down the road your estate will subtract your lifetime gifts from your estate exclusion.

C. AUSTIN FITTS: That is the total amount I can donate or gift to a child without paying a gift tax?

PATTY KEMMERER: Without having to file the form is $14,000.

C. AUSTIN FITTS: But if I file the form, how much can I gift without having to pay a tax?

PATTY KEMMERER: Your lifetime gift can be as much as $5,340,000 as of

2014. Most people are not going to be in a situation where they actually have to pay tax on the gifts that they give, but they do have to report them. That is the important thing to note. The reporting is the key.

Generally you won't end up paying a tax during your lifetime.

C. Austin Fitts: Right.

Patty Kemmerer: And the other thing is we talked about the 529 plans. For example, in 2014 you could give a gift to a 529 plan for an individual of up to $70,000. This is a special rule for 529 plans. You can gift up to $70,000 this year and you would be able to spread that gift over five years, so it would be $14,000 a year for five years, but you will have to file the gift tax form to show that you have elected to spread that gift over a five-year period. Because it's $14,000 it does not reduce that lifetime exclusion, but it does have to be reported because you are electing to make the full amount of the five-year gift in one year – if that makes sense.

C. Austin Fitts: Right. Now there is unlimited exclusion for paying educational and healthcare costs, right?

Patty Kemmerer: That is correct, but you have to make those payments directly to the educational institution or the medical provider in order for those gifts to be excluded. You can't give the money to the child to then pay for the education. You have to pay directly to the educational institution.

C. Austin Fitts: But the exclusion is not just for kids. In other words, I can tax-free pay the tuition for anybody.

Patty Kemmerer: That is correct, but you have to pay it directly to the institution – not give it to the person to pay it.

C. Austin Fitts: Okay. So let's turn to our favorite – the Affordable Care Act.

PATTY KEMMERER: Yes.

C. AUSTIN FITTS: We have a question here, but dive right in. This one has me tearing my hair out, and I barely look at it. I can't imagine what it's like if you're a CPA dealing with this. So let's dive in and talk about the shared responsibility excise tax.

PATTY KEMMERER: Correct. What that is is basically a penalty tax for not participating in a qualified health plan. As you know, the Affordable Care Act is requiring everyone to get health insurance unless they are specifically exempt.

Exempt individuals include non-resident aliens and those who are not lawfully present in the United States, individuals who have a religious, conscientious exemption certificate from a state. They actually have to go to the state and apply for that. Individuals who would encounter a hardship in order to purchase healthcare coverage, and they also must have a certificate stating that they have this hardship in order to be exempt. Individuals who have household incomes less than the gross income threshold for filing an income tax return, and individuals whose required contributions exceed eight percent of their household income.

That's just a few of them. There are other exemptions as well, but those are the prevalent ones.

C. AUSTIN FITTS: One of the questions we got was, "How do I prove that it is more than eight percent of my income?" We talked about it before we started and you said that that is a detail that you don't know off the top of your head, but it seems to me that your tax return ought to be the fundamental document that would prove it.

PATTY KEMMERER: Right. That would definitely prove what your income is. As far as proving that you can't find qualified coverage for less than eight percent of your income, get quotes. Of course, you would also have to find out what the exchanges are charging for healthcare. I think for the exchange the amount that they are quoting you is probably going to be one of the main items that can prove that it is more than eight percent of

your income.

Your income can be proved easily enough with your tax return, but the issue is proving that you can't afford it because it's more than eight percent.

This is all brand new, so we'll see. I'm sure they'll come out with some sort of guidance on this, but it has not yet come out.

"Your income can be proved easily enough with your tax return, but the issue is proving that you can't afford it because it's more than eight percent."

C. Austin Fitts: For 2014 what are the penalties?

Patty Kemmerer: The penalties are the lesser of the monthly national average premium for bronze level coverage offered for the applicable family size involved through an exchange. In 2014 the bronze plan average premium was $204 for an individual and $1,020 for a family with five or more members. That is one test.

It is either the lesser of – and this is very complicated – one-twelfth of the greater of $95 per uninsured adult plus $47.50 per uninsured person under the age of 18, not to exceed $285, or one percent of the taxpayer's household income for the current year in excess of the threshold amount of income required to file a form 1040.

So it's kind of a complicated calculation to figure out what the penalty is. The penalty in 2014 basically if you don't have insurance all year long is $95 per uninsured adult and $47.50 per person under 18, not to exceed $285, or one percent of the household income over that filing threshold number. Those are the numbers that you need to look at.

It's really not that bad for 2014, but in 2015 those numbers go up to $325 per uninsured adult and $162.50 per uninsured person under 18, or 2% of the taxpayer's household income. In 2016 it more than doubles. It's $695 per uninsured adult plus $347.50 per uninsured person under 18, or 2.5% of the taxpayer's household income above the filing threshold.

It's not that bad in 2014, but it's going to get more expensive as things go along.

C. AUSTIN FITTS: Right. So you need to budget for it in 2015 if you're not going to get the insurance.

What happens if you get insurance during the year so it's partial?

PATTY KEMMERER: That's why they say its one-twelfth of those numbers. So for each month you take one-twelfth of those numbers that you are not insured, and that would be your penalty. So if you were uninsured for six months, it is six-twelfths of that amount would be your penalty.

C. AUSTIN FITTS: Nightmare. Okay.

PATTY KEMMERER: There is also a refundable premium tax credit that people who are buying the insurance can possibly get if they qualify for it. It is a refundable credit. It is available in advance to be paid directly to the insurer to reduce the premiums, or the taxpayer can elect to pay the premiums in full and get the refund at the end of the year. It's available to taxpayers with household income of at least 100% but not more than 400% of the federal poverty line.

The federal poverty line for 2014 ranges from $11,670 for a single member family to $40,000 for an eight-member family. So let's just talk about a single member family just for a second. So 100% of that is $11,670, but 400% is $46,680. So if you are a single person and you make $46,000 you could qualify for this credit that can reduce the cost of your premiums, or you can get a refund at the end of the tax year through your 1040.

C. AUSTIN FITTS: I have to tell you that I think the biggest tax in the first year is going to be the time every family spends trying to figure this out.

PATTY KEMMERER: You know, they haven't made it easy for us; there's no doubt. This is where finding a good tax preparer is probably in your best interest.

C. Austin Fitts: Right. As you know, I'm the one who is always going to beat the drum on this. I think that given the complexity of the tax system at this point, it is absolutely essential to have a professional help you prepare your taxes.

I know a lot of people who try to do it themselves, and I think its fine to get it organized yourself to see what it's like, but then I think you walk it into a professional and have them vet it and make sure it's fine.

I just think we've reached a level of complexity that – despite all your best intentions, even with a good software – I think it's just too easy to make a mistake and I think it's too expensive to make a mistake. I'll beat that drum; you don't have to. I just think you absolutely need a professional to review everything and do your taxes.

Now, I have to ask you about crowdfunding because all year long as I've been watching, there are many different kinds of crowdfunding and we're not going to touch on all of it here. As I'm watching the crowdfunding I'm thinking, "How does this work from a tax standpoint? How does this work from a federal tax point and the state?" You're crossing all sorts of country and state jurisdictions. I'm thinking, "How is this going to work?" I can't find any direction.

I asked you if we could talk about crowdfunding. When I say 'crowdfunding' but aside the securities issues because that is still, in most places, on the back burner for now. Let's just talk about the donations. It's the gifting and the crowdfunding websites where you give money and you, a lot of times or sometimes you get nothing, and other times you get the product.

Let's just talk about what we know about the tax implications of crowdfunding.

Patty Kemmerer: Well, one thing that we know for sure is that crowdfunding is not a deductible donation unless it is paid to a charitable organization. That we definitely know. It's not deductible if it's not paid directly to a tax-exempt charitable organization. So if you're

funding a person, you're not going to get a deduction.

Now, the flip side of that is what is the implication for the person receiving the funding? That is still a gray area. The question is: Is it a gift, or is it taxable income? There really is no clear answer to that right now. The IRS probably will have a test case in the next year or two where they will challenge this. I'm sure they're going to want to make it taxable income, but I think the end result is probably going to be that it depends on the circumstances in each case.

C. Austin Fitts: So, say that I crowdfund the creation of a product. Let's say my donation is $100 and the retail sales of the product would be $40. So $40 is the sale and $60 is a gift, is my guess as to what they are going to try to do.

Patty Kemmerer: That may very well be the case. There just isn't any clear answer on that right now, but as it becomes more and more popular – especially those 'Fund Me' sites in particular. The sites are 'Fund Me for This' and 'Fund Me for That'. This is definitely going to become an issue that is going to rise to the forefront in the next couple of years, and I sure will start getting some answers.

C. Austin Fitts: What is interesting is if a way is done so that you write the check to the educational institution or, in fact, you set up a website in cooperation with the educational institution and the money goes directly to them, couldn't it then be deemed a gift?

Patty Kemmerer: I would think that it definitely could be deemed a gift under the gift tax rule, but it would have to be to the institution and not to the person who is trying to get their education paid for.

C. Austin Fitts: Right. So if you crowdfund a website, if you want to crowdfund your education you need to remember this. It makes a big difference.

Okay. So that is 2014. Let's talk about 2015. What is coming?

PATTY KEMMERER: There is really not a whole lot out there right now, but for people who have small businesses – and when I say a small business, it can be several hundred employees – employers with 50 or more full-time employees or full-time equivalent employees who fail to offer their employees an opportunity to enroll in an eligible employer-sponsored health plan, and at least one of their full-time employees receives a premium tax credit, they will have to pay an excise tax starting in 2015. It is expected that this tax is going to be $170 per month per employee.

C. AUSTIN FITTS: Ouch!

PATTY KEMMERER: That is a big ouch, and unfortunately, this is why a lot of these restaurants and other employers have cut their full-time employees back to part-time so that they don't have to offer this and get penalized for not offering it, which is really unfortunate for the employees who would otherwise prefer to work full-time. That is one of the reasons you see this kind of thing that is happening.

"This is why a lot of these restaurants and other employers have cut their full-time employees back to part-time so that they don't have to offer this and get penalized for not offering it…"

C. AUSTIN FITTS: I just saw an announcement that Amazon had added 15,000 robots to their warehouses and were looking to hire 80,000 part-time workers for Christmas.

I said, "Oh, great! The robots get the full-time employment and the humans get the part-time employment." It wouldn't surprise me if this is one of the reasons why.

PATTY KEMMERER: Absolutely. This is definitely an issue for employers that they focused on. It's just really unfortunate that a lot of people are seeking full-time employment and can't find it, and this is one of the reasons why.

On another matter, those who work from home, the IRS has come out with a ruling that has loosened the exclusive rule use for deducting a home office. The home office expense deduction is for people who have

an office at home that is used regularly and exclusively for business. They can deduct a portion of their rent or their mortgage interest, real estate taxes, utilities, etc.

C. Austin Fitts: This is really good news.

Patty Kemmerer: This is good news. It is a fairly limited loosening, however. The circumstances have to be such that the de minimis personal use is unavoidable. For example, someone at this particular case had a studio apartment in New York City, and it was unavoidable that they could not help but walk through their work space to get to other parts of the apartment.

The court came out and said, “This is reasonable de minimis use that can’t be avoided, so we’re going to go ahead and allow the deduction.”

This is good news for people who work from home in small spaces.

C. Austin Fitts: Now I have to just bring up one that is taking an extraordinary investment of my time personally this year. I have to bring up the dynamic nature of online sales tax. I’m in a state that doesn’t have an income tax, but we have a very big sales tax. The state government – which I argue is very good – depends on that sales tax. It’s important and it’s shared with the county, so it can get complicated.

This year because of the dynamic nature of the states trying to collect taxes on online sales, we sat down at Solari and wrote a document that went through all the different products and services and individual situations and who is purchasing stuff online and why and who is selling stuff online and why. We’re moving online on both sides of the ledger. We wrote down what the state taxes were in Tennessee as well as Michigan where we have a payroll.

Patty, it took three of us maybe 20 hours each, and then we found an expert in Tennessee state taxes and had them review and read it. When it was all done, what I have to tell you is there can’t possibly be one small business in Tennessee which is in impeccable compliance because it took

us – in combination with the experts – maybe 50 hours to really figure out what the taxes were we owed and how to calculate them.

It was complicated to the extreme, and the reality is now if we buy something online and they don't charge sales tax, we have to recalculate it. If I buy a $3 book from somebody in Washington, then I have to calculate a tax and send it in to Tennessee.

The one thing I would say to everyone looking ahead to 2015 is you need to take time to learn what the evolution of sales and other taxes related to online is for your personal life and business and make sure that you've made an effort to understand it and are in compliance. I just think this area is going to get more and more dynamic and more and more complicated, particularly if you are in a state where sales tax is important. You just don't want to get out of compliance and stay out of compliance.

I don't know if you've run into that yet, but we've been tearing our hair out.

Patty Kemmerer: Most states have a use tax – which is what it is called. I live in Virginia, and basically what happens is if I buy something from Georgia and I have it sent to my house, they don't have to charge Virginia sales tax but I am required to file a form at the end of the year stating the purchases that I made of tangible property – this is the key, that it is tangible property – that I owe sales tax on to the state of Virginia because I wasn't charged sales tax when I purchased it online.

Most states do have a similar type of tax. There is a difference between purchasing services online and purchasing tangible property. Tangible property is subject to the tax. Services are not, and every state has a different way of determining what they consider to be tangible and non-tangible. Definitely you want to consult a tax advisor to determine your requirement to pay the use tax to your state.

C. Austin Fitts: One of the reasons I bring it up is because many of these taxes have always existed, but it hasn't been a significant portion of the

revenue base and states haven't taken enforcement seriously. Now as online sales grow dramatically I think they are starting to take it very seriously, and they have to take it very seriously.

PATTY KEMMERER: There is a movement afoot also among brick and mortar businesses to ensure that sales tax is always charged on online sales as well because brick and mortar's feel that the fact that sales tax is not often charged on an online purchase is hurting their business.

C. AUSTIN FITTS: They're right.

PATTY KEMMERER: Someone can go online and purchase the same item without having to pay the sales tax, so there is a movement afoot as well to try to get some law passed in Congress to have online retailers collect these sales taxes.

C. AUSTIN FITTS: Okay. Republican majority in the national Congress. Do you think it's going to make any difference to taxes in looking forward?

PATTY KEMMERER: You know, it's really hard to say. Certainly there may be more potential to get something done, but the reality is that the tax law is so complex and the special interests are so great that it is going to be very difficult to get the tax rules simplified sufficiently in any one year. If it happens, it is going to take a great deal of time.

C. AUSTIN FITTS: Right.

PATTY KEMMERER: The idea of revamping the tax rules for corporations is even more remote, I would say. We'll just have to wait and see.

C. AUSTIN FITTS: I will say this: Every year we talk about this or every year we go through tax issues at the end of the year and tax planning, and every year it gets more complicated. I know if you look at the polls, there is tremendous political support for simplification, but achieving it is – as I agree with you – yet again another thing.

Let's turn to the question I always get, which is: How do I find a good

bookkeeper? How do I find a good CPA?

On the bookkeeper issue, there is also a question of: How do I find all sorts of other organizational issues?

I know I keep asking you this question every year, but help people understand how to find the kind of services they need to make sure that their financial accounting and planning is in good order.

"One of the best ways to find a good bookkeeper or CPA is to ask someone you know and trust who has someone who they know and trust and have been very happy with."

Patty Kemmerer: Right. One of the best ways to find a good bookkeeper or CPA is to ask someone you know and trust who has someone who they know and trust and have been very happy with. Word of mouth referrals are usually the best types of referrals to find the quality person you are looking for.

If you don't know anybody who has a CPA or a bookkeeper, particularly a CPA, you can usually go to your state board of CPA's and they can refer you to several CPA's that you can then go interview and find out who is the best fit for you.

C. Austin Fitts: And when you interview, can you ask them for references?

Patty Kemmerer: Absolutely. And I would recommend that you do so. Definitely. Talk to the people who have been working with them and see what their thoughts are.

Also if you are looking for a good bookkeeper, a lot of CPA's know good bookkeepers. We really like to have bookkeepers who we feel understand bookkeeping. There are a lot of bookkeepers out there who charge low prices and don't really understand accounting the way that they should which makes a lot more work for us at the end of the year when we are trying to prepare tax returns, particularly for businesses.

Do try to get a referral to a good bookkeeper who is fairly well-

established. Ask for references for that person as well.

C. Austin Fitts: One of the things I like to do is I like to have redundancies. If I have a good bookkeeper and if I have a good CPA, there are a lot of checks and balances. I always find that no matter how great somebody is, they miss something. It's by having several people go through everything, look at it, share it that we make sure things are impeccable.

Patty Kemmerer: Yes, I agree.

C. Austin Fitts: One of the things I keep beating the drums on – two things I always say – is keep great records, pay for great help on stuff, and never ever ever intentionally violate any of the rules or regulations because it's just not worth it.

I'm amazed at how many times somebody says, "Oh, well, I can sell those coins because I bought them with cash. I don't have to pay taxes."

I say, "No. No. No."

Patty Kemmerer: I've had people come to me and say, "I have a rental property, but I don't want to report the rent."

At that point I say, "Well, you just told me you have rental income so I can't prepare your return."

It happens all the time. Yes, definitely you do not want to go there.

C. Austin Fitts: Right.

Patty Kemmerer: Make certain that you are following the rules no matter how distasteful they may be.

C. Austin Fitts: Our theme for 2015 is: Live a free and inspired life. What I found is that great bookkeeping, great tax preparation, having a CPA, and being impeccable about all this stuff is the basis of freedom.

It doesn't feel free to do all that work, but once you've got it all done and when the tax guy shows up at the door, you're like, "Hey, would you like some coffee? It's good to see you!" It's not a problem.

Okay, Patty. Any other thoughts before we close?

PATTY KEMMERER: No. I think that is all I have for you today, but I would be happy to take any questions from your subscribers. If they want to forward questions, feel free to forward them onto me and I would be happy to try to answer them.

I will get back to you on the points that we discussed that I didn't have a firm answer on.

C. AUSTIN FITTS: Well, I very much appreciate you doing this. When we do this we will send out the update this week. It focuses everybody on, "It's the beginning of December. I have to think about what I need to do before the end of the year."

That update always inspires everyone before they go shopping to take care of this. I thank you for helping us get organized, get focused, and I hope you have a wonderful, wonderful holiday season, Patty.

PATTY KEMMERER: Thank you. I hope you and your subscribers do as well.

C. AUSTIN FITTS: Have a good day. Bye.

PATTY KEMMERER: Bye.

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