

THE IRS TATTLER

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From Travis' desk:

Happy new year! Over the holidays, I was turned on to a book called *The Power of Habit* by Charles Duhigg. The author's main point is that human behavior is influenced by simple execution of one or a few core habits that create a chain of reactions for the better or worse in our lives. For example, the simple act of deciding to swab your ears with a Q-Tip every day could lead to a sense of discipline.

That feeling of discipline leads you to take a 30 minute stroll. That stroll leads to better health and feelings of well-being and you sleep better every night. Because you sleep better every night, you are more productive at work. The boss notices your increased productivity and you get a raise... and on and on. You get the picture. In other words, the conscious mind builds a routine and the subconscious mind fills in the blanks based on

the emotions generated by the routine. Now, what if your new habit was to adjust your withholding so you didn't owe the IRS and timely file your taxes. Heck, it's the law anyway, and you could get a refund. What if your new habit was to hand over your company's bookkeeping responsibilities to a competent professional, so you could get back to the business of running your business. Give us a call, we can help you get there.

Fiscal cliff averted, here's the highlights

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Payroll tax rates

The 2 percent temporary Social Security payroll tax reduction that was in effect for calendar years 2011 and 2012 was not extended. Therefore, the 2013 Social Security tax rate will revert back to the historical level of 6.2 percent. This will mean that all employees will see 2 percent less take-home pay starting with their January paychecks. The new tax rate will affect bi-weekly employees' Jan. 9 paychecks and monthly employees' Jan. 31 paychecks

Individual tax rates

All the individual marginal tax rates from the Bush-era are retained (10%, 15%, 25%, 28%, 33%, and 35%). A new top rate of 39.6% is imposed on taxable income over

\$400,000 for single filers, \$425,000 for head-of-household filers, and \$450,000 for married taxpayers filing jointly (\$225,000 for each married spouse filing separately).

Phaseout of itemized deductions and personal exemptions

The personal exemptions and itemized deductions phaseout is reinstated at a higher threshold of \$250,000 for single taxpayers, \$275,000 for heads of household, and \$300,000 for married taxpayers filing jointly.

Capital gains and dividends

A 20% rate applies to capital gains and dividends for individuals above the top income tax bracket threshold; the 15% rate is retained for taxpayers in the middle brackets. The zero rate is retained for taxpayers in

the 10% and 15% brackets.

Alternative minimum tax

The exemption amount for the AMT on individuals is permanently indexed for inflation. For 2012, the exemption amounts are \$78,750 for married taxpayers filing jointly and \$50,600 for single filers. Relief from AMT for nonrefundable credits is retained.

Estate and gift tax

The estate and gift tax exclusion amount is retained at \$5 million indexed for inflation (\$5.12 million in 2012), but the top tax rate increases from 35% to 40% effective Jan. 1, 2013. The estate tax "portability" election, under which, if an election is made, the surviving spouse's exemption amount is increased by the deceased spouse's unused exemption amount, was made permanent by the act.

Tax-Preparation Software Is Not Foolproof

In the last ten years or so, tax-preparation software, such as Intuit and TurboTax, has become increasingly popular, especially as more and more Oklahoma residents become accustomed to e-filing their taxes (that is, sending their returns via the internet, rather than using old-fashioned envelopes and postage). These software packages become more sophisticated every year, staying abreast of new state and federal tax

laws and offering an increasing assortment of gee-whiz bells and whistles. The problem is, a piece of tax-preparation software is only as good as the person using it. Sure, these programs may point out inconsistencies in your return, but they can be easily "fooled" by a person who doesn't know what he's doing. If you make some very bad decisions from the get-go (say, classifying yourself as a business entity when in fact

you're a salaried employee), the mistakes can add up, and you may wind up paying far less to the government than you actually owe. If the IRS chooses to come after you, can you blame the misunderstanding on your software? Not a chance. As a rule, the government doesn't care who prepared your tax return, or how it was prepared. The fact is your signature is affixed to the document, and you are the one who is responsible

for any shortfall, not the makers of Intuit or TurboTax. (Of course, if there is a genuine flaw in these programs which undercounts your taxes, you may have legal recourse against the manufacturers, but you still will have to pay what you owe to the IRS.) Are you an Oklahoma resident who is being pursued by the IRS for back taxes? Call our office today 405-607-1192 for a free consultation!

A Few Patriotic Words From... A Socialist?

Gerard Depardieu has renounced his french citizenship over taxes. He is going to Russia where there is a flat tax.

French actor, Gerard Depardieu, best known in America for his role in the 1990 hit film, Green Card, has renounced his citizenship over taxes. He reported that his 2012 taxes zapped 85% of his income. So, where is Gerard going? Russia, where residents pay a 13% flat tax. Depardieu claims to be taking 80 french jobs from his various companies with him. What? In a letter to the French Prime Minister in December, Depardieu says, "[s]adly, I no longer belong here," he wrote, "but I will continue to love the French public, with whom I have shared so many emotions. I'm leaving because you

believe that success, creativity, talent -- what makes people individual -- must be punished." Flat taxes, job creation? Sounds down



right tea partyish, or at least capitalistic. Gerard has not been completely housebro-

ken. He urinates on floors of departing airplanes and makes no excuses for his alcohol-fueled past and fractured relationship with his family. But, he has demonstrated a capacity for higher thought with his recent comments. Hollywood limocrats might wish to follow Mr. Depardieu's lead to the Kremlin, where the arts flourish.

The IRS Wants Your Tax Levy to Hurt

If you owe a substantial back tax debt to the IRS—and you've ignored previous notifications from the government, or didn't take them sufficiently seriously—you may find yourself with a levy slapped on your assets. What this usually means is the IRS has taken possession of your property (say, an expensive sports car), garnished your wages, or even seized your bank accounts in order to make itself whole.

An Oklahoma taxpayer who has been levied by the government usually is unprepared for the financial crisis this can precipitate. His reduced paycheck may not cover the rent or mort-

gage, and he may not have recourse to his savings or other bank accounts, which technically belong to the IRS until he settles his



back tax bill. In the direst situations, the individual may find himself one step removed from complete financial ruin, facing the loss of his house, his livelihood, and all of his assets. Does the IRS care? No!

The fact is the government wants its tax levy to hurt; this measure is supposed to be punitive, and it wouldn't be a very effective punish-

ment if a person simply could shrug it off and go about his daily business. The purpose of a levy is to get your complete, undivided attention, and to spur you (hopefully, with the aid of an

experienced tax lawyer) to face your problem head-on and figure out a way to discharge your tax bill. Questions? Call the Oklahoma tax experts 405-607-1192 to learn what we can do for you!

Your Business Expenses Should Never Outweigh Your Income

If you're an independent contractor or business owner in Oklahoma, one of the things the IRS will look for when examining your annual tax return is the ratio of your income (or revenue) to your expenses. The government understands it takes a significant capital outlay to run a small business: rent, equipment and materials, employee compensation, and travel expenses, to name a few. But, if you claim that your \$30,000 in annual revenue was almost completely offset by \$28,000 in expenses,

you are begging for a painful audit. Why? Well, the people who work at the IRS aren't fools; they know that most business owners and contractors in Oklahoma depend on their income to make a living (even if their living expenses are partially borne by a spouse). You will have a hard time making the case that you were able to live for an entire year on a \$2,000 net profit. More likely, the IRS revenue officer will conclude that you vastly inflated (or even made up)

most of your expenses, to get out of paying your fair share of taxes. What is the worst the IRS can do to you, if its suspicions are borne out? A whole lot: the government not only will send you a back tax bill, complete with penalties and interest, but it also may slap a lien on your house (or business) and even put a hold on your bank accounts, pending your payment of your back tax debt. Questions? Call our office today at 405-607-1192.

January 2013 Tax Due Dates

January 10

Employees who work for tips if you received \$20 or more in tips during December report them to your employer.

January 15

Individuals Make a payment of your estimated tax for 2012 if you did not pay your income tax for the year through withholding (or did not pay in enough tax that way).

Farmers & Fisherman

Pay your estimated tax for 2012 using Form 1040-ES.

January 31

Individuals who must make estimated tax payments. If you did not pay your last installment of estimated tax by January 15 you may choose (but are not required) to file your income tax return (Form 1040) for 2012 by January 31.

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Question:

What wide receiver leads the NFL in receptions and is from OKC?

- A. Randy Moss*
- B. Wes Welker*
- C. Miles Austin*
- D. Larry Fitzgerald*