

# LARRY'S INCOME TAX & BOOKKEEPING SERVICE INC

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TAX PREPARATION  
and PLANNING

Dear Client:

We hope this past year was a good year for you and your family and that blessings continue to come your way for this coming year. Check out our new website: [LarrysIncomeTax.com](http://LarrysIncomeTax.com). We have useful information on it and update it regularly throughout the year to help you! In fact, you can find this entire letter under the "files" section.

We are summarizing all the major tax changes for 2012 at the end of this letter. This is an invaluable source of information for you, and you should review it to see if any of those items apply to your situation. For your convenience, we are also enclosing a summary sheet "**INFORMATION TO BRING TO YOUR TAX APPOINTMENT INTERVIEW**". This should eliminate any questions you may have pertaining to the tax return before your actual tax appointment. Such questions as, "What do I need to bring in?" should be answered. You should receive most forms by 02/15/13. Regardless of whether or not you have received them, you are responsible for reporting all transactions. IRS receives copies of all of the forms! Once you have read the 2012 updates and you have received all your tax information, please call for an appointment. Please schedule an appointment during the day time, if at all possible.

1. We will be open from 9AM to 8 PM Monday thru Friday and 9AM to 6PM on Saturday. We are closed on Sunday. Please arrive early. Everyone should sign in as well as sign a "letter of understanding" at the front window prior to the interview. The letter basically states that all information you have provided to prepare your return is true and correct to the best of your knowledge.
2. Appointments will have preference over walk-ins and will be seen first. A new rule this year is that you must have an appointment to see Mr. Larry. If you come as a walk-in you will be seen by Carlos or Michelle to have your tax return prepared. They both are college grads and licensed preparers, so you can be sure they know their taxes.
3. We ask that you please keep the appointment time even if you determine that you are missing some items. We can complete most of the work, and then finish your return after you give us the missing information. It is very difficult to reschedule. You are allowed one re-schedule for an emergency. If you are a no-show for an appointment, you will have to come in later as a walk in.
4. Consider being a "drop-off", especially if "everything's the same as last year." Simply leave all your information at the front desk and leave a valid phone number where we can reach you if any questions arise in connection with your return. We will call you as soon as your return is ready or if problems are encountered. We charge additional fees for redoing a completed tax return if you later find or receive more information (things you "forgot about"), so please make sure everything is in your file.
5. Please note that on returns where the total preparation fee is over \$300, we will collect a 50% deposit in advance.

For your visit, please note the following:

1. Please review "**INFORMATION TO BRING TO YOUR TAX APPOINTMENT INTERVIEW**", and bring all your forms.
2. Please review "**FEDERAL AND STATE CHANGES & ADDITIONS FOR 2012**" and have any questions ready.
3. Please have all your figures and totals ready. Your appointment is not the place to add up your receipts, especially if you will be claiming itemized deductions, rental property expenses, or self employment expenses. We mailed out organizers last year, but many of you chose not to use them. For this year, if you would like an organizer to review and list your deductions, then please call us so we can mail it to you, free of charge. We recommend the organizer so you can avoid missing out on deductions. This may help you in remembering the kinds of deductions you had last year so you do not forget anything. We have enclosed a Tax Tips newsletter for individuals with this letter.
4. Improper information given to us such as birth dates, social security numbers, and the names of the spouse, or children poses a big problem. IRS delays the refund if the names of the spouse or children are not shown on the return exactly like they appear on their current Social Security card. This affects newlyweds and those with nicknames (ex: "Zack" instead of "Zachary").
5. When we prepare your return, we accept your word and trust you, and we do not ask to see your receipts or logs unless some total that you provide us is out of line with the normal amounts that most people claim. Only at that point would we deem it necessary to question the total. IRS Circular 230 states that we may rely on the client's word when we prepare their tax return. We are tax return preparers, not auditors. As your preparer, we acquaint you with various types and kinds of deductions to which you are entitled to claim based upon the facts and circumstances of your particular occupation and situation as you have described it to us. When we sign the return as your preparer, we only certify that the information on the return is true and correct to the "best of our knowledge" (our knowledge consists of the information and deduction amounts that you give to us). You must check your tax return before mailing it to be sure that all deductions are accurately stated. Remember, IRS says that you are responsible for what you file.

Once we are done with the return, please ask for a CD-R copy of your return, **FREE OF CHARGE**. This will enable you to print copies of the return whenever you need it. Put it in a safe place, as a second paper copy of your return is \$35, and a PDF copy is \$25. Due to IRS confidentiality rules, we can't mail or fax copies to you or a bank without your written authorization. Save yourself the cost of extra copy charges, and ask for your free CD-R copy to print your own copies when needed.

IRS tax audits will continue to concentrate on small businesses (Schedule C), and employee expense deductions (Form 2106) as well as contributions (Schedule A). Also, for businesses, the IRS is looking at improper treatment of workers as subcontractors when

they should be treated as employees for tax purposes. The IRS continues to focus on taxpayers who under report income, over report deductions, and file fraudulent tax returns. IRS estimates its loses over \$420 billion per year. They hired more tax auditors who are backed by the U.S. Congress and the President to go after these people. We do not believe that you one of these people, or we would not be preparing your tax return. I warn you again: you must save your actual receipts, business vehicle mileage logs, cancelled checks, and proof of all deductions that you have claimed for at least 3 years. I know I have told all of you this in the past. In the event of an audit, if you do not have your receipts and other proof, your deductions will be disallowed and you will owe additional tax, interest, and penalties. We can't stress enough the importance of saving your documentation. IRS audit rates are increasing!

Electronic filing is now mandatory, unless you sign an attached statement to your tax return that you do not wish electronic filing. We are not charging for electronic filing this year; it is FREE. Direct Deposit of your refund to your account takes just 10 to 14 days, compared to 2 to 3 months if you mail the return. Also, the IRS and Louisiana confirm receipt of all electronically filed returns (or any problems).

**For clients who have bank products ( Refund Transfers) we must do the following:**

1. **We must make a copy of your current picture ID or driver's license, for refund transfers.** The IRS requires it.
2. **If you are claiming different or new dependents from the dependents claimed in 2011, then we are required to make a copy of the birth certificate and social security card of each new dependent.** No exceptions. Again, IRS requires it.
3. **You must give us good (not disconnected) phone numbers where you can be reached. We will not return phone calls asking if the check is in.** When the check is in, we will promptly call you. Consider doing direct deposit.
4. **We will not give a tax refund check to anyone but the client to whom it is payable to.** You must have proper picture ID when you come in to pick up your check and you will need to show it to the person at the front desk. No exceptions.
5. The IRS will again delay some payments of Earned Income Credit to some individuals. These are mostly for men who are filing Head of Household status, those who owe back taxes, student loans, or child support; and if you have new, older dependents on the return. If you received a notification letter last year, asking you to send in certain information, then you may have to mail in your return. If you were denied the EIC in a review last year, then you will have to mail in your return and send a recertification form.
6. Please be sure that you are entitled to claim the Earned Income Credit. Husbands and wives are not permitted to file separately to both get EIC if they live in the same house. If the child is unrelated to the person, then they are not eligible to receive EIC for this child unless the child was placed with them by an authorized agency. The child must have lived with you more than six months, and you must be able to prove this to the IRS if they ask. As we have done in the past, we will again complete an EIC Due Diligence questionnaire with you while you are being interviewed, as required by the IRS.
7. We are now using Atlas Financial Services for our Bank Products. The IRS stopped all refund loans (1 to 2 days). We will still provide the refund transfer (10 to 14 days) where the preparation fee can be deducted from the refund.

If you must speak to me prior to your income tax appointment, then please leave your name and phone number message with the person who answers the phone. **Please spell out your complete name and leave the phone number** to ensure that you receive a call later. We do not have everyone's names and phone numbers at our immediate disposal. I will try to return the phone calls by 10:00 PM that day. All other services such as tax planning consultations, reviewing IRS letters, or assistance with audits are handled by appointment only after April 15<sup>th</sup> between 9 to 4, Monday thru Wednesday. **Please note that we charge for these additional services that we offer.** However, we will still review tax letters that you receive free of charge to give you advice if you wish to handle it yourself (though it not recommended that you go it alone). **Some tax laws are still pending, so you can ask us to prepare the return and hold off sending it in till we are both sure that the laws won't change retroactively.** We will charge if we do amended returns.

We wish to thank you for your understanding in the above matters. Most of you already know our rules, and we hope that everyone will continue to observe them this year. Once again, we thank you for allowing us to prepare your tax return in the past, and we look forward to seeing you at this year's tax appointment interview. Our business has continued to grow over the years from our clients telling others about us. **In fact, we are happy to continue the referral system. Please write your name on the back of the enclosed business cards and give them out to your relatives and friends. If they become a NEW client, and they give us the card with your name on it, we will credit your account \$25. We can subtract the credits from your own preparation or just send you a check after April 15<sup>th</sup>, with our gratitude. Your name must be on the back of each card to get credit.** We sincerely try to please everyone with quality professional work prepared quickly at a reasonable price. We know it is impossible to please everyone but we sincerely do try. Those of you who bring children with you to the appointment, please monitor them. Please park in front of our building in our front parking lot or on the street. **Please do not park in our next door neighbor's parking lots.** Do not forget that the tax data organizer, mileage logs and deduction lists, as well as the tax tips newsletter for business owners are all available free of charge at our front window or via free subscription on the website. We look forward to seeing you soon, so please call our office and make your appointment when you have received all your forms. Thanks again for your loyalty.

Sincerely,

*Larry R. Jaubert*

Larry R. Jaubert, EA, MBA  
Enrolled Agent

## FEDERAL AND STATE CHANGES & ADDITIONS FOR 2012

On the federal return, we have the following additions/changes available for the 2012 tax year:

1. The earned income tax credit (EITC) is now calculated on up to the first 3 children. The maximum credit has been increased to \$5,891.00 and families who earn up to \$50,270 will qualify for something. Don't forget that we need the children's birth certificates and social security cards so that we may transmit their names exactly as the Social Security office has them.
2. The American Opportunity Education Credit is a \$2,500 credit still available for education. It is allowed on the 1<sup>st</sup> 4 years of college and good on tuition, fees, and now books and other course materials. The credit is taken "per student," so the maximum credit for a family with 4 kids in college is \$10,000 (\$2500x4). By the way, for those students attending college longer than 4 years, the Lifetime Learning credit is still available and it is 20% of the first \$10,000 of tuition and related expenses. Expenses for computer and technological equipment for education are no longer deductible.
3. IRS says that E-Filing is mandatory unless you sign a statement and attach it to your return to elect out of it. We are not charging for E-Filing; it is FREE. I urge you to do it, or the processing center may well lose forms and schedules from your paper filed return. This would not happen with E-Filing because it is sent directly into their computers. If you owe money, you can still pay by April 15, even though you E-Filed in any earlier month. We will begin E-Filing on January 22<sup>nd</sup> this year.
4. Energy efficiency credit has been eliminated on windows, doors, insulation, air conditioners. It is still available for solar power.
5. If you purchased a hybrid vehicle that has a special credit, be sure to bring in documentation that the dealer should have given to you stating how much you qualify for.
6. The cancelled mortgage debt exclusion is extended thru 12/31/2012.
7. The IRA contribution limit is \$5,000; \$6,000 if 50 or older. The Savers Credit is for certain individuals who paid into their retirement plan and did not earn more than \$27,750 if single, \$41,625 if head of household, and \$55,500 if married. Credit could be up to \$2000.
8. Those of you who are 70 ½ or older hopefully took out the minimum required distribution from your IRA or retirement. If this is your situation, you need to contact your plan administrator to find out how much and when to take it.
9. If you claimed the first time homebuyer credit in 2008, it was a loan and must be repaid at the rate of \$500 per year deducted from your refund. In 2009, it was a grant and is not repayable, unless you sell the home within three months of original occupancy.
10. If you have investments in stocks or bonds, the companies will be sending you a new form 1099-B reporting form if you sold any investments during the year. Please bring these along with end of the year statements from the companies. We must know when you bought each item you sold, and what you paid for it along with the date of sale and gross sale proceeds received for each item. The IRS knows it, so don't forget to report ALL stock sale transactions, and ALL income you received or you will be in trouble.
11. Gone is the above the line deduction for Teacher's supplies, and deductions for Sales Tax and Mortgage Insurance Premiums.

As for the state of Louisiana, the following changes/additions are in place for 2012:

1. There is a deduction for school tuition, home school expenses, and public school educational expenses. The deduction is for dependents enrolled in K-12 grades and is the lesser of \$5000 or 50% of the required school costs, per child (you can't combine different kid's costs, each will have his/her own total for this deduction. These required costs not only include tuition and fees, but also uniforms, school supplies (those yearly "supply lists"), and even laptop computers and home internet connections, if required by the school. The state has suggested to view "required" as any expense that, if not paid, would prevent the student from advancing to the next grade or to obtain a diploma. The state has stated that ACT/SAT fees, college application fees, class pictures, yearbooks, lunches, or any extra curricular activities, sports, or clubs are not required and therefore no deduction is allowed for these expenses.
2. Taxpayers can now deduct 100% of excess federal itemized deductions.
3. Extensions must now be prepared and mailed to the state by May 15<sup>th</sup>. They will not honor the federal extensions. The LA fair plan/citizen's credit still is available. Many clients continue to ignore claiming this, so get the declaration pages from your insurance agent for 2011-2012, 2010-2011, 2009-2010, 2008-2009. We can still file separately for the older years, at a cost of \$25 per year.
4. You can now elect to get a check sent to you or direct deposit. The hated debit cards are gone for the state.

As you can see, there are many federal and state changes. Remember that in order to claim these credits, expenses, or deductions, you must have documentation that is proof. Keep those documents for at least 3 years in case you ever have to prove that you are entitled to what you have claimed. We recommend that you put them in a clasped envelope and keep it with your blue tax folder that we give you.

## **INFORMATION TO BRING TO YOUR TAX APPOINTMENT INTERVIEW:**

1. Wage and or Pension, Social Security, or Unemployment Income statements --your W-2's or 1099 statements, state tax refund or other income or loss end of year statements, Gambling income and losses (W-2 G's) (if you won, obtain loss statements from the casinos.
2. Interest, Dividend or Investment Income end of year total earnings statements -- 1099's or K-1's from bank or investment firm. If you sold stocks or investments during the year, we need to know when you originally bought the investment and what you originally paid for it, also if you reinvested earnings. We also need to know date of sale, and amount you sold it for. The IRS will send notices of balance due as a result of neglecting to report your investment information. Get those year-end reports.
3. Self-employment income and expenses (please total the expenses by category types, as we charge bookkeeping fees if we need to do this), Business mileage totals or logs. If office in home, we need to know total electric, gas and insurance for year. Also, the square footage of office area and entire living area of house, as well as purchase price of house, major improvement costs, plus any repairs or maintenance for year on house.
4. Rental Income and expenses (total your receipts by types of expenses, mortgage interest, insurance, repairs, utilities, etc.).
5. Alimony paid or received during the year, including the name and social security number of recipient.
6. Purchase or sale of residential house, rental, investment or business property. Please bring the HUD closing statements.
7. Medical expenses (totals by type of expenses paid by you out of pocket: Doctors, Hospitals, Clinics, Eye care, Dental, Medical Insurance (not pretax), Mileages for medical care).
8. Property taxes paid. State tax withholdings we can obtain from your W-2's or estimated tax payments.
9. Charitable Donations, check donations and non-cash donations such as clothes to Goodwill, Salvation Army, etc. mileage for charitable purposes. You must have receipts for your records (cancelled checks, or donation letters). No undocumented donations are deductible.
10. Educational expenses for tuition and fees, student loan interest. Student loan interest is also deductible for pre college students.
11. Mortgage Interest (First, Second, Home Equity or Home Improvement Loan interest or points paid) or Investment Interest paid.
12. Work expenses (Union or Professional dues, required work supplies, work tools, and required use of vehicle calling on clients or for other duties of your job for the employer. Note you may give us mileage information totals such as the total business miles used, commuting miles used, and personal miles used, or you may give us your actual completed mileage log. Keep the log for at least 3 years. If claiming actual vehicle costs then we need the total spent on gas, repairs, maintenance, insurance, licenses, loan interest. We also need to know whether you are leasing or buying the vehicle and purchase date and price. We will still need mileage information. We also need to know if you received reimbursements from your employer and if it is included in your W-2.
13. Child care expenses paid to day care providers including the provider name, telephone number, address, and tax ID number.
14. Copy of your homeowner's declaration page for the year 2012 (not 2011, 2010, 2009 unless you did not claim the Louisiana citizens credit in those years, in which case you can go to our website and look under "files", "tax forms-LA" to get the forms to file for your credit).
15. **SOCIAL SECURITY CARD AND PICTURE ID OR DRIVER'S LICENSE, if new client.**
16. **DEPENDENT'S SOCIAL SECURITY CARD AND BIRTH CERTIFICATES, for any new dependents claimed.**
17. **Any other information in regards to income that you earned or expenses that you believe to be deductible.** Please ask us about it or show us the information during your tax appointment. It is better to ask now than to get a call from IRS in 1-2 years.

You must save all of your receipts, cancelled checks, credit card statements, and other proof of deductions you claim for a minimum of three years. Vehicle mileage logs should be completed during the year to prove the business mileage and usage of the vehicle for which vehicle expenses are claimed. Tax law permits reconstruction of your mileage log, but it is better to complete the log during the year. **PLEASE MAKE YOUR TAX APPOINTMENT EARLY. IF YOU HAVE SPECIFIC TAX QUESTIONS PERTAINING TO THE PREPARATION OF YOUR TAX RETURN, PLEASE SAVE THEM TO DISCUSS DURING YOUR TAX APPOINTMENT.**