PRICE FRONK & Co.

FALL 2019

Email Taryn
arnold@bendcpa.com

Taryn Arnold

Taryn Arnold joined Price Fronk & Co. in February of 2016 as a tax season intern, and was hired as a full-time staff accountant in September 2016.Taryn grew up on the Oregon Coast and graduated from Oregon State University in 2008 with a Bachelor of Science degree in Geography. She spent the following year as an AmeriCorps volunteer for the Alaska Service Corps, and eventually made her way to Bend in 2010. After a few years of working on a small local farm, she decided it was finally time to begin a career path. She received a Post Baccalaureate Certificate in Accounting from Linfield in 2015. She is looking forward to gaining knowledge and experience in both tax and audit as she studies to become certified.

Taryn enjoys cross country skiing with her family and pack of three dogs in the winter, vegetable gardening and camping in the summer, and getting back to the beach as much as possible.

Email Alex
mattevi@bendcpa.com

Alex Mattevi

Alex Mattevi joined Price Fronk & Co. in December 2018. Before moving to Bend, Alex attended Colorado Mesa University in Grand Junction, Colorado where he played 4 years of Division II soccer and graduated in 2012 with a double major in Accounting and Finance. He started his career working for the largest regional CPA firm in Denver, Colorado before leaving as a Tax Manager to join Price Fronk & Co.

Alex's professional background offers a broad range of experience in closely held businesses, individual income taxation, income tax planning, estate planning and wealth transfer. Alex strives to be a trusted business adviser to his clients and help them navigate challenging tax issues. He continually monitors tax legislation and emerging trends to identify their impacts on – and strategies to improve and maximize— his clients' tax positions. Alex is passionate about developing long-term relationships with clients and takes a holistic approach to achieving their financial goals and understanding their businesses.

Alex enjoys being a part of the growing community of professionals in Bend, OR and looks forward to volunteering in the community soon. He is a licensed CPA in both Colorado and Oregon as well as a member of the Oregon Society CPAs and AICPA.

When he is not working, Alex enjoys mountain biking, fishing, rafting, motorcycling and adventuring with his wife, Holly, in the beautiful outdoors of Central Oregon.

The IRS Is Not Always Right

A letter in the mailbox with the IRS as the return address is sure to raise your blood pressure. Here are some tips for handling the situation if this happens to you:

▶ **Stay calm.** Try not to overreact to the correspondence. They are often in error. This is easier said than done, but remember the IRS sends out millions of notices each year. The vast majority of them correct simple oversights or common filing errors.

▶ **Carefully review the letter.** Understand exactly what the IRS thinks needs to be changed and determine whether or not you agree with its findings. Unfortunately, the IRS rarely sends correspondence to correct an oversight in your favor, but its assessment of your situation is often wrong.

▶ **Respond timely.** The correspondence should be very clear about what action the IRS believes you should take and within what timeframe. Delays in responses could generate penalties and additional interest payments.

▶ **Get help.** You are not alone. Getting assistance from someone who deals with this all the time makes going through the process much smoother.

▶ **Correct the IRS error.** Once the problem is understood, a clearly written response with copies of documentation will cure most of these IRS correspondence errors. Often the error is due to the inability of the IRS computers to conduct a simple reporting match. Pointing the information out on your tax return might be all it takes to solve the problem.

▶ **Use certified mail.** Any responses to the IRS should be sent via certified mail. This will provide proof of your timely correspondence. Lost mail can lead to delays, penalties and additional interest on your tax bill

▶ **Don't assume it will go away.**

Until a definitive confirmation that the problem has been resolved is received, you need to assume the IRS still thinks you owe the money. If no correspondence confirming the correction is received, a written follow-up will be required.

I Owe Tax on That?

5 Surprising Taxable Items

Wages and self-employment earnings are taxable, but what about the random cash or financial benefits you receive through other means? If something of value changes hands, you can bet the IRS considers a way to tax it. Here are five taxable items that might surprise you:

1. **Scholarships and financial aid.** Applying for scholarships and financial aid are top priorities for parents of college-bound children. But be careful - if any part of the award your child receives goes toward anything except tuition, it might be taxable. This could include room, board, books, travel expenses or aid received in exchange for work (e.g., tutoring or research). Tip: When receiving an award, review the details to determine if any part of it is taxable. Don't forget to review state rules as well. While most scholarships and aid are tax-free, no one needs a tax surprise.

2. **Gambling winnings. Hooray!** You hit the trifecta for the Kentucky Derby. But guess what? Technically, all gambling winnings are taxable, including casino games, lottery tickets and sports betting. Thankfully, the IRS allows you to deduct your gambling losses (to the extent of winnings) as an itemized deduction, so keep good records. Tip: Know when the gambling establishment is required to report your winnings. It varies by type of betting. For instance, the filing threshold for winnings from fantasy sports betting and horse racing is $600, while slot machines and bingo are typically $1,200. But beware, the gambling facility and state requirements may lower the limit.

3. **Unemployment compensation.** Unfortunately the IRS doesn't give you a break on the taxes for unemployment income. Unemployment benefits you receive are taxable. Tip: If you are collecting unemployment, you can either have taxes withheld and receive the net amount or make estimated payments to cover the tax liability.

4. **Crowdfunding.** A popular method to raise money for new ventures or to support a special cause is crowdfunding through websites. Whether or not the funds are taxable depends on two things: your intent for the funds and what the giver receives in return. Generally, funds used for a business purpose are taxable and funds raised to cover a life event (e.g., special causes or medical assistance) are considered a gift and not taxable to the recipient. Tip: Prior to using these online tools to raise money, review the terms and conditions and ask for a tax review of what you are doing. If you need to account for taxes, reserve some of what you raise for this purpose.

5. **Cryptocurrency.** Cryptocurrencies like Bitcoin are considered property by the IRS. So if you use cryptocurrency, you must keep track of the original cost of the coin and its value when you use it. This information is needed so the tax on your gain or loss can be properly calculated. Remember, the tax rate on property can vary if you own the cryptocurrency more than a year, so record all dates. Tip: For those considering replacing cash with things like Bitcoin, you need to understand the gain or loss complications. For this reason, many people using cryptocurrency do so for speculative investment purposes.

When in doubt, it's a good idea to keep accurate records so your tax liability can be correctly calculated and you don't get stuck paying more than what's required. Please call if you have any questions regarding your unique situation.

Help Older Adults Stand Up Against Scams?

The Consumer Financial Protection Bureau recently reported in financial exploitation cases that older adults lost an average of $34,200. Unfortunately, these funds are often never recovered. You can ensure this doesn't happen by learning more about scams and how to protect yourself. Here are some tips:

● Recognize the scams.The best way to protect yourself from a scam is to understand what they look and sound like. Here are a few key elements to look for when identifying a scam: Did you know? IRS impersonation scams are the No. 1 scam targeting older adults, according to the Treasury Inspector General for Tax Administration, with more than 2.4 million Americans targeted.

● You are promised a great offer or benefits

● You are forced to make quick decisions

● You are pressured to provide financial and/or personal information

● You are threatened

● Know why you are a target. You and other older adults may be targeted because you own a home, and have retirement savings and exceptional credit — a treasure trove for con artists to pillage. Scammers take advantage of trusting older adults because they're less likely to say no and sometimes have cognitive issues that affect decision-making skills. In other cases, family members and non-related caregivers may have easier access to their funds, making them more susceptible to theft.

● Keep your personal and financial information safe. Keep your bank information, Social Security card and other finances stored somewhere secure in your home. Think twice about what you are sharing on Facebook, and don't give out your Social Security or account numbers without vetting the person or company asking you for it. Con artists find useful information on social media sites about your family members and then pretend to be a relative who asks for money, or they could directly ask you for sensitive information over the phone or via email.

● Hang up if you feel uncomfortable. Don't worry about being impolite if someone on the phone is pressuring you into sharing sensitive information. Hang up. If the call comes from a company you trust, you can call back and ask for the department that handles your account to determine if the call is for a legitimate reason.

● Turn down unsolicited offers. If you receive a call or an in-person visit from someone you don't know selling you a product or service you didn't request, turn it down or tell them you'll decide at a later time. If the service or product interests you, conduct independent research on three suppliers. Proactively contact all three and determine the best offer. Include a trusted family member in the decision-making process. Doing this can effectively eliminate most scams.

● Use direct deposit. You can avoid having your checks stolen when you arrange for your checks to be directly deposited into your bank account. Ask your bank to show you how.

● Speak up if you think you're a scam victim. There's no need to feel embarrassed or ashamed if you think you've been scammed. Instead, let people know right away.

● Call your bank and/or credit card companies.

● Reset your account passwords.

● Call the police to report stolen property.

● Submit a consumer complaint using the FTC consumer Complaint Assistant.

● Report the scam by calling the United States Senate Special Committee on Aging Fraud Hotline at 1-855-303-9470.

● If you suspect elder abuse is also involved, contact adult protective services.

Your Tax Calendar

October 31

Halloween

● Oregon Commercial Activity Tax (CAT) goes into effect on January 1, 2020. This tax is based on commercial activity conducted by businesses, effective for tax years beginning on or after Jan. 1, 2020. The CAT is $250 plus 0.57% on a taxpayer's Oregon-sourced taxable commercial activity above $1 million and would be imposed in addition to the corporate income and excise tax already imposed by the state. The tax is not owed if the taxable commercial activity does not exceed $1 million.

January 15, 2020

4th Quarter 2019 Estimated Tax Payment Due If you are self-employed or have other fourth-quarter income that requires you to pay quarterly estimated taxes, get them postmarked by January 15, 2020 tax deadline.

PRICE FRONK & Co

2796 NW CLEARWATER DRIVE
BEND, OREGON 97703

RETURN SERVICE REQUESTED

PRSRT STD.
PAID
BEND, OR
PERMIT NO. 473

Phone: (541) 382-4791 Fax: (541) 388-1124 www.bendcpa.com

Another Year, Another New 1040

In 2018, the government attempted to "simplify" the tax-filing process by drastically shortening Form 1040. The result was six new schedules that created a lot of confusion. Now the IRS is attempting to ease some of that pain by revising the form and removing some schedules. Will it help? Here is what you need to know:

More information on the main form. To make it easier for the IRS to match pertinent information across related tax returns, new fields have been added on the main Form 1040. For example, there's now a spot for your spouse's name if you choose the married filing separate status. In addition, there's a separate line for IRA distributions to more clearly differentiate retirement income.

3 schedules are gone. What was your favorite memory of Schedules 4, 5 and 6? Was it the unreported Social Security tax on Schedule 4? Or the credit for federal fuels on Schedule 5? While those schedules will no longer exist, those lines (and many others) have found a new home on one of the first three schedules. Less paperwork, but still the same amount of information.

You can keep your pennies! For the first time, the IRS is eliminating the decimal spaces for all fields. While reporting round numbers has been common practice, it's now required.

Additional changes on the way. The current versions of Form 1040 and Schedules 1, 2 and 3 are in draft form and awaiting comments on the changes. Because of the importance of the 1040, the IRS is expecting to make at least a few updates in the coming weeks (or months) before they consider it final. Stay tuned for more developments.

How to prepare for the changes

The best way to prepare is to be aware that 1040 changes are coming. The information required to file your taxes will remain the same, but some additional hunting will be necessary to find the shifting lines and fields on the modified form.

Remember, changes bring uncertainty and potential for delays, so getting your tax documents organized as early as possible will be key for a timely tax-filing process.