

✓ PAC TAX & FINANCE™

✓ SUNDAY, JANUARY 1, 2015 – VOL. MMXV NO. 51 JUMBO EDITION \$3.00 ✓

PHONE 651-738-0457

FAX 651-734-9823

WEB www.pactax.net

ADDRESS 586 HAYWARD AVENUE N, OAKDALE MN 55128

Make Your Property Tax Refunds PAC-O-MATIC

PAC makes filing your property tax refund O-SO-EZ. Most firms charge an additional fee to prepare your M1PR and require an additional appointment. With PAC, there is no need to schedule another appointment or send us your property tax statement. If we think you'll qualify, we'll put your information in our database and complete your property tax refund after April 15. We will electronically file it for you and send you a copy for your records.

For any given year, you have until August 15 of the following year to file your M1PR (about 18 months). If PAC didn't file your M1PR in 2014, we can check this year when you have your taxes prepared.

Why did my property tax refund get larger?

The state legislature raised property tax refunds by 6% and renter's rebates by 3%. If you filed your M1PR before April 1, 2014, Minnesota Revenue should have automatically adjusted your refund.

Who qualifies for a property tax refund?

While the M1PR is one of the most complicated of all tax forms, generally, you will qualify for a property tax refund if your real estate taxes exceed 2.25% of your income. Keep in mind, however, that this is a simplified scenario. There are many variables to consider. You may also qualify for a special property tax refund if your real estate taxes increased by more than 12%. With so many variables to consider, have PAC do your M1PR and avoid the stress of preparing it yourself.

Who qualifies for a renter's rebate?

Generally, your income must be less than \$57,000. However, as with the property tax refund, there are many variables to consider. Having dependents, being over age 65, being disabled or blind, and other variables can affect your renter's refund.

Schedule Your Tax Appointment and Drop-Off, Mail, Fax, or Email Your Tax Information

Schedule your appointment now! We offer daytime, evening and weekend appointments. Don't wait until you have all your information to schedule your appointment. Evenings and weekends fill up fast.

We DO NOT accept credit cards, so please bring a checkbook, cash, or bank information to pay for your tax preparation service.

If you have moved or prefer not to come in for an appointment, you can drop off, mail, fax, or email your tax information. We prepare returns from all over the country. The only thing we can't do over the phone is hold hands.

Please Welcome Our Third- Generation of Tax Consultants.

We are pleased to announce the additions of Zach Dreher, Tara Tatro, and Dan Tatro to the PAC team. Our new additions have received rigorous training, so we know you will be satisfied with their service.

Ignorance is Bliss, but Bliss Can Cost You Thousands of Dollars!

In the prophetic words of D.A. Godbout: *"You don't know what you don't know, until you know that you don't know it."*

Every year, we get new clients who have prepared their own return or had someone unreliable prepare their return. Multiple errors have cost these clients thousands of dollars over the years. We can only amend returns for the past three years. Many clients have let thousands of dollars pass through their hands by discovering their errors too late.

Don't be pennywise and pound foolish. Hire a reliable professional to do your taxes! It will save you load of stress and second guessing.

Minnesota Unveils the “Middle Class Tax Cuts” after Many Taxpayers Have Already Filed Their Returns

The Minnesota Legislature retroactively changed the 2013 tax code after many Minnesotans had already filed their taxes. Instead of mailing out rebates to all Minnesotans, they decided to change the 2013 tax code retroactively and mail out additional refunds to qualifying taxpayers.

Why didn't I get a check?

You didn't have one of the qualifying changes.

Who qualified?

The Minnesota Legislature changed the state tax code to be more compliant with the federal code. The following deductions were previously disallowed by Minnesota Revenue:

- Student Loan Interest
- Mortgage Insurance
- Mortgage Debt Forgiveness (one year extension, taxable in 2014)
- Employer-Paid Tuition
- Employer-Paid Adoption Expenses
- Higher Education
- Teacher/Educator Expense

Starting in 2014:

- Working Family Credit increase
- Minnesota Day Care Credit increase
- New credit for reading classes
- Married couples are no longer required to add back part of their standard deduction.
- Military subtraction for National Guard or reservist now to include Title 32 status.

How much did people get back?

Most taxpayers got NOTHING! Taxpayers who qualified for more money back got a confusing letter from Minnesota Revenue explaining how much of a refund they would receive. If a taxpayer did get a check, it was usually \$15-\$50, though some lucky taxpayers wound up with a couple hundred dollars. Ironically, most of the deductions Minnesota now allows are due to expire in 2014. The change that impacted most taxpayers was the increase in property tax and renters refunds.

Got Health Insurance?

Like it or not, the individual mandate is here. You will be penalized for not having insurance, but the formula is somewhat complicated. The penalty is a minimum penalty of \$95 per adult person, or 1% of your income, or a maximum penalty of \$2448 per year. Like most tax laws, there will be all sorts of exceptions: hardship exclusions, income limits, and other complicated formulas that will affect the amount of the penalty.

How will IRS know if I have health insurance?

If you are a W-2 employee, your employer is required to report the amount paid on your W-2. If you are purchasing your own private insurance, you can expect insurance companies to issue form 1095. This reports what you paid in premiums to the government.

How can I avoid the penalty?

- Carry health insurance
- See your tax preparer to see if you qualify for an exception

I owe the penalty and still don't want to pay it.

In an obscure provision in the Affordable Care Act, the IRS cannot use criminal enforcement on someone who owes the penalty. This makes it next to impossible for the IRS to enforce the tax lien. If you set up your affairs so you have a balance due, they effectively have to way to collect the penalty. If you get a refund, however, IRS can deduct the penalty from the refund.

Dead Deductions in 2014

These deductions are dead in 2014:

- \$250 Educator Expense
- Mortgage Insurance Premium Deduction
- Energy Credits (except some solar, wind and geo-thermal)
- Tuition Fees deduction (most taxpayers qualify for the education credits anyway)
- Mortgage Debt Forgiveness Act. If you foreclosed or had a short sale in 2014, you might be stuck with a hefty tax bill.
- Joan Rivers. Well, technically she's an exemption good for one more year, bless her heart.

What Is Your Fee?

While it's hard to estimate an average fee, we are proud to offer a high value of service at a reasonable rate. PAC has some of the most competitive prices in the industry. Our fee includes preparing your federal return, state(s) return(s), property tax refund, and/or renter's rebate. We offer discounts on the preparation of your children's and dependents' returns. Your returns will be filed electronically when possible and can be direct deposited into your bank account. We are available year-round for questions or consultation.

When Should I Retire?

Like most important decisions in life, you should do what makes you happy first. If you love your job, keep working. If you hate your job and are financially stable, quit working.

Remember that the money never goes as far as you think it will, so don't make a rash decision. As you approach retirement, you should have a financial consultation so you can maximize your retirement earnings and give as little money to the government as possible.

Should I Own a Rental Property?

If your goal is to wait for the market to turn around and then dump the property, I would say no. If your goal is to buy an investment property to retain and have appreciate in value, I would say yes. Rental properties can be extremely labor intensive depending on your renters. If you have a busy schedule, I would recommend dealing with a reputable management company. The little they charge can save you a lot of paperwork.

Pros:

- You can deduct improvements
- They typically will help a return or have a neutral effect on a return.
- You can step up the basis if your heirs inherit the property (not gifted)
- May have a capital loss

Cons:

- Labor intensive
- Could have a large capital gain
- More stress and worries

Be a Sucker! Do the Following Items:

Pay ATM fees, NFS checks, pay bills late, file tax returns late, buy insurance on a rental car, buy life insurance on a dependent child, purchase annuities, exit annuities early, choose whole-life insurance, buy the extended warranty, be reactive, cash in your IRA early, hold resentments, work at a job you hate, stay with the same insurance company (new customers always get discounts), be complacent, choose Sprint, be late, sleep in, bet on Jacksonville, wear red pants if you are a guy, worry about things out of your control, get angry, make excuses, fight over inheritances, buy a time-share, drive slow in the left lane, blame others, make snap decisions, spend more than you make, make no decision, be predictable, judge others, buy 529 plans, ask a woman if she's pregnant, go to Mexico with your Earned Income Credit, buy a brand new car every few years, play poker with a guy named "Dallas", or do your own tax return!

Be a Winner! Do the Following Items:

ALWAYS carry your business card, generate multiple revenue streams, tip generously, be on time, contribute to your retirement plan (especially if your company matches), participate in your company's flex plan, put a two-second delay on what you say before you say it, forgive, take the scenic route, keep your contact list updated, keep a day calendar, be proactive, think outside the box, take calculated risks, have a common bank account so you can get cash from an ATM without a fee, spend less than you make, drive your car into the ground, give compliments not criticism, be well-groomed, travel, find a job you love, try to see another person's point of view, trickle money out of your IRA once you retire, bet against the Gophers, learn from your mistakes, sell yourself, respect children, get up early, rent the toy instead of buying it (ex. snowmobile, ATV, watercraft, etc.), have a financial consultation with someone who isn't selling you anything, be spontaneous, and have a professional do your tax return.

Minnesota vs. Wisconsin: the Epic Battle Wages On!

With no sight of a reciprocity agreement near, non-resident employees will have to continue filing in both states. Here are some key differences between the two states:

In Minnesota, Social Security income is taxable in most cases; in Wisconsin, it's not taxable.

In Minnesota, you get a deduction for K-12 school expenses; in Wisconsin, you do not. However, you may get a deduction for qualifying college expenses.

In Minnesota, saloons are considered commercial buildings; in Wisconsin, saloons are considered residential houses converted into saloons.

In Minnesota, all of your unemployment income is taxed; in Wisconsin, some of your unemployment income may not be taxed.

In Minnesota you have smokers funding the stadium; in Wisconsin, you have smokers for fun at the stadium.

In Minnesota, you have to file a separate form for a property tax refund; in Wisconsin, the property tax credit is included on the return. However, if your income is less than \$25,000, you may qualify for a Schedule H.

In Minnesota, there are 49 other states with a lower tax rate; in Wisconsin, there are 48 other states with a lower tax rate, well almost

In Minnesota, there is no subtraction for college savings programs; in Wisconsin, there is a subtraction for State-Sponsored College Savings programs of up to \$3,000.

In Minnesota, you have a governor that is slightly left of Karl Marx; in Wisconsin, you have a governor that is slightly right of Rush Limbaugh.

In Minnesota, there is no additional penalty on a premature retirement distribution; in Wisconsin, there is 3.3% penalty on a premature retirement distribution.

In Minnesota, you may qualify for a credit on long-term care insurance; in Wisconsin, you may qualify for a subtraction for long-term care insurance.

In Minnesota, you play "Duck, duck, grey duck;" in Wisconsin, you play "Duck, duck, goose."

Beating The FAFSA Application and Should You Claim Your Child?

The FAFSA application process may seem daunting. If you submit your tax return electronically, you can have FAFSA import your tax information right from the IRS. Wait at least two weeks after your return has been accepted.

Many taxpayers believe erroneously that if they let their child claim themselves that the child will get better results on their FAFSA application. If your dependent only earned a few thousand dollars and lives on campus, the Department of Education realizes the child isn't supporting him or herself. Don't throw away thousands of dollars in tax refunds thinking it will save you in the end. It rarely does. The best way to fill out the application is as honestly as possible.

For non-married parents, FAFSA uses many variables other than how the tax returns are filed. Try to fill out your application as accurately as possible to avoid conflicting information.

Warning to North Dakota and On-the-Road Employees!

If you have worked out of town more than one year or expect the job to last for more than one year, your meals and lodging may not be deductible. If you currently work out of town, you should keep accurate records of your expenses and your employer(s) reimbursement policies. Keep a log of your days out of town, miles, and where you worked. The IRS is cracking down on taxpayers who have high employee business expenses. The best offense is a good defense, so have your paperwork in order.

If You Provide Care for Someone Disabled in Your Home and Receive Wages, Under a New IRS Ruling, You May Be Able to Exclude Those Wages from Income.

In January 2014, the IRS changed its position on the taxability of certain wages earned by persons providing services to an individual under a Medicaid Waiver, including CDCS and Personal Support. If an employee is determined eligible, the exemption applies to the current year's wages as well as 3 years past tax filings. Immediately Contact your preparer if this applies to you!

Great Quotations!

"A wise man can learn more from a fool than a fool can learn from a wise man." Chinese proverb

"A great man shows his greatness by the way he treats little men." Thomas Carlyle

"When dealing with people, let us remember we are not dealing with creatures of logic. We are dealing with creatures of emotion, creatures bristling with prejudices and motivated by pride and vanity." Dale Carnegie

"But do we always gotta cry, do we always gotta live inside a lie. Life's just a blast, cuz its movin' really fast, so ya better stay on top or life'll kick you in the ass." Fred Dearst

Identity Theft and the IRS Identity Protection PIN (IP PIN) Program

With vast amount of dollars at stake, criminals have been exploiting the tax system by filing false returns. In an attempt to thwart this, the IRS will issue certain taxpayers 6-digit pin numbers they must use to file their return. If you believe you a victim of identity theft, you may file Form 14039 to request that a pin be issued to you. If you were issued a pin, bring it with to your tax appointment.

Note: The IRS will NEVER contact you via phone. If you get a phone call from someone claiming to be from the IRS, it is most certainly fraudulent.

Here are some easy things you can do to protect your information:

- Pay with cash, it's simple and you find yourself spending less.
- If you make an online purchase, don't save your credit card information with the vendor.
- Don't sleaze out your information for every lousy rewards program. It's nobody's business what you buy, when and where. It's not worth earning a ball-point pen.
- Limit your number of credit cards.
- Shred your documents.
- Check your credit.
- Use a credit card, not a debit card.
- Limit your number of bank accounts.
- Don't deal with princes from Nigeria.

If you want to be completely shielded from identity theft, move to a cave and off the grid, because nothing you do can totally prevent it.

Most Loyal Tax Client Contest:

Congratulations to **Don Grundhauser** for being our most loyal client. Don has a return dating back 1967. **Wayne Watson** was runner up with a return dating back to 1968. Thanks for your remarkable loyalty; we must be doing something right!

Expect a 10% fee increase at PAC!

While our rates remain the one of the most competitive in the industry with the numerous changes with the Affordable Care Act, retro-active tax changes to the Minnesota tax code, the increase in multi-state returns, and the increasing complexity of the M1PR you can expect a slight rate increase this year.

\$30 Fee for All NSF checks.

We charge a \$30 fee for all return checks due to non-sufficient funds or closed accounts!

If everything I tell you is a lie... Am I lying?

While we do our best to produce the most accurate newsletter as possible, our incompetent politicians can change the rules to the game at any time, even after the game has been already played. Take all the information in this newsletter with the grain of salt and expect all the information to change at some point or another. When you come to your appointment bring any information that you believe will be pertinent to your tax filings. It is better to bring to much information than not enough.

Notes and/or questions for your tax consultant....