



HONECK ·
O'TOOLE

...where people count

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revenews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

IDENTITY THEFT 101:

How to Protect Yourself Now

Earlier this year, scammers filed millions of fraudulent 2014 tax returns with the IRS, trying to get illegal refunds in 2015. And this wasn't just happening to taxpayers using online tax-filing services such as TurboTax. Some of our own clients fell victim to this fraud because their identities had been compromised through a data breach. In the past 12 months alone, data breaches affected customers of Anthem insurance, JP Morgan Chase, Staples, UPS, several retail stores and restaurants, and even hospitals and universities.

Today, it's practically impossible to avoid being part of a data breach — but if you take the following steps, there's a good chance you can protect your identity, your credit and your finances.



STEP 1: Arm yourself with information.

The IRS offers an entire website devoted to taxpayer education on identity theft; www.IRS.gov/Individuals/Identity-Protection.

On that website, you'll find:

- The Taxpayer Guide to Identity Theft
- Publication 5027: Identity Theft Information for Taxpayers (PDF)
- Data Breach: Tax-Related Information
- Identity Protection Tips

This is just one source of helpful information. Most banks, credit-card companies and other financial institutions provide a wealth of information about steps they take to protect your accounts, as well as tips to protect yourself or report an incident.

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THANK YOU FOR BEING A HONECK O'TOOLE CLIENT!



We appreciate you choosing our team to prepare your 2014 tax return. Our team worked tirelessly from February through April 15 to get the majority of returns filed — including more than 1,600 individual tax returns, 300 business tax returns and nearly 200 trust tax returns for our clients. It took almost 8500 staff hours in 10 short weeks to get it all done, but we did it!

Thank you for putting your trust and faith in us, and for referring us to your friends and colleagues.

We prepared tax returns for many new clients this year, and we know it's mainly because of your referrals. *Thank you!*

Your Honeck O'Toole Team

IRS CREATES CYBERCRIME UNIT TO BATTLE IDENTITY THEFT

Data breaches have grown so fast that the IRS's Criminal Investigation division just announced it has created a cybercrime unit to combat identity-theft-related tax fraud. This new unit, which the IRS has been planning for some time, has 25 field offices across the country. An IRS spokesman said the new unit was not just the result of publicity this tax season and noted, "We hope to not only investigate criminal activity that's taken place but also to prevent criminal activity."

This issue of ReveNEWS offers a number of tips to help you stay a step ahead.

The U.S. Social Security department also offers a brochure online titled, "Identity Theft and Your Social Security Number": www.ssa.gov/pubs/EN-05-10064.pdf. In this document, you'll find information on how and when to divulge your Social Security Number and what to do if you think someone else is using it.



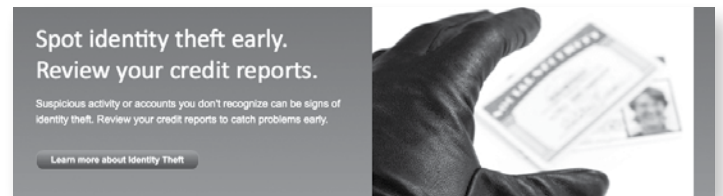
STEP 2: Immediately report identity theft incidents.

When we discovered that some of our clients had been victims of the tax-filing fraud, we provided information on how to notify the IRS and the three main credit-reporting agencies.

First, we advised clients to file IRS Form 14039, "Identity Theft Affidavit," to notify the IRS that someone filed a fraudulent return under the client's name. In addition, we advised the following steps to anyone with suspicious or fraudulent account activity:

- **Contact the three main credit agencies (or go online) and request a 90-day fraud alert** (this is usually sufficient). These agencies include Equifax, Experian and Transunion. When you set up a 90-day fraud alert, all your credit card companies are notified.
- **Follow up with each of your card company's fraud departments and explain the situation**, so they have it in their records. You may also request replacement cards, with new account numbers. (Sometimes the card companies do this automatically.)
- **File an online complaint with the Internet Crime Complaint Center at www.ic3.gov**. According to the Social Security brochure mentioned above, "The IC3 gives victims of cybercrime a convenient and easy-to-use reporting mechanism that alerts authorities of suspected criminal or civil violations."
- **File a complaint with the Federal Trade Commission**. You'll find a form online at www.consumer.ftc.gov/articles/pdf-0094-identity-theft-affidavit.pdf.

If the fraud happened at a local restaurant, store, hospital or other establishment... notify the local police.



Source: AnnualCreditReport.com

STEP 3: Review your credit report for free.

The official United States government website is free: www.annualcreditreport.com. We mention this because there are "look-alike" credit report sites out there that do charge a fee, or encourage you to sign up for a membership (at a cost).

On the government site, you will not be charged to review your complete credit report once a year. If you'd like to also see your latest credit score, you can order one through this website for a small fee (under \$10).

STEP 4: Sign up for credit monitoring services. (Some are free!)

If your personal information was compromised through a data breach, you may have already been notified by the company (Staples, for example) and given the opportunity to register for free credit monitoring for a specific time period.

If not, you'll want to check out the various online credit monitoring services offering low-cost memberships and options to upgrade.

STEP 5: Use secure, hard-to-guess passwords and other measures to protect your identity.

We're hoping that the IRS will soon allow everyone to get a personal tax PIN that prevents others from filing fraudulent returns. For now, only those who have been notified by the IRS of actual identify theft are assigned a PIN.

In any case, always use unique passwords that are hard to guess, and keep your passwords in secure locations such as a locked safe box in your home as well as a free online password manager app such as Dashlane, Password Box or Last Pass. We can keep a list of them here for you on our secure network. Also use credit cards, not debit cards, since thieves can use debit cards to access your bank account balances. 🚫

Need help? Contact us now:

207-774-0882 - info@honeckotoole.com

DISCLAIMER

Any accounting, business, or tax advice contained in this communication is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

FILING STATUS:

1040: What Parents Need to Know

If you're a parent about to go through a life change regarding your child or children, you'll want to consider the tax status implications for your IRS 1040 next year.

For instance:

- A couple of our clients could no longer claim a child as a dependent in 2014, and they had the unpleasant surprise of paying more taxes in April

(in one case, significantly more — ouch!).

- A few other clients had children who turned 17 in 2014 and the parents lost the child tax credit and took a \$1,000 hit.
- If a married couple with one or more children gets divorced, the filing status can become complicated for each parent. Who claims the dependent child(ren)? How does the filing status change (Married vs. Single or Head of Household, etc.)?

● If, on the other hand, you welcome a new child into your family through a birth or adoption, you'll likely receive IRS tax credits.

- And, if you're supporting a child who's attending college, you may qualify for tax credits depending on your annual income.

Confused yet? We wouldn't be surprised. We're standing by to help you navigate the matters of children and taxes. Call us at **207-774-0882** or email us at info@honeckotoole.com.

TAKE NOTE:

Maine Capital Gains vs. IRS Capital Gains

If you had capital gains from stock or other asset sales in 2014, you may still be scratching your head over why you might have paid more for your Maine taxes than your federal taxes. After all, state tax rates are always lower, right? Not when part of the income is capital gains or qualified dividends. Here's the scoop.

When it comes to taxes, Maine treats all income the same. All income is subject to the graduated tax rates topping out at 7.95%. But, the IRS has preferential rates for qualified dividends and long-term capital gains.

IRS FORM 4868: What Happens When We File an Extension on Your Behalf?

During the 2015 tax season, we had a March 16 cutoff date (30 days before April 15, as always) to receive information in time to prepare and file each client's return before IRS and state deadlines.

We're not sure why, but we had a larger than usual number of clients providing financial information ON OR AFTER March 16. In those cases, we automatically filed an extension (IRS Form 4868) requesting additional time to file.

If this is the first time we've filed an extension for your tax return, you may have questions. This overview may help.

- First, it's important to note that an extension of time to file your tax return is not an extension of time to pay any taxes due. So, we notify clients that they should send payments by April 15 to the IRS and state if there's likely to be a balance due. This way, you'll avoid any penalties for paying late. If you normally send estimated quarterly payments for a small business, etc., we would have asked you to send another one on April 15.
- Next, we're working our way through the extended returns based on the date we received the information. The challenge is, we didn't begin looking at the late information until April 17 or a few weeks afterwards because most of our team took a much-needed and well-deserved break after the frenzy of tax season. Therefore, we're working through extensions in May and into June... and we'll be done well before the extension deadline of October 15, 2015 (September 15 for business and trust returns). As soon as we complete your return, we'll send it to you with the final refund amount or balance due. If it turns out you overpaid your taxes on April 15, the excess amount can be refunded.

If you have questions, please call us at **207-774-0882** or email us at info@honeckotoole.com.

We are hiring

Join the Growing Honeck O'Toole Staff!

We're growing... and to make sure we provide exceptional service to all our clients, we need to expand our staff too! The ideal candidate is a CPA or close to it, with 3-5 or more years of experience in public accounting and an interest in tax and financial planning. Perhaps you're a senior-level CPA or just an extraordinary professional looking for a friendly new work environment. Let's talk if you're curious, committed and creative — and you'd enjoy solving problems for our clients.

Contact us to learn more: **207-774-0882** or info@honeckotoole.com

7.95% ME CAPITAL GAINS TAX

For example, if you're in the lower IRS rate bracket, you may end up paying 0% to the IRS on your capital gains... but you still owe 7.95% to Maine (that's \$1,590 for someone in Maine with \$20,000 in capital gains).

If you're expecting capital gains in 2015, let us help you plan now so you can avoid surprises: call us at **207-774-0882** or email us at info@honeckotoole.com.

CLIENT PROFILES

Jordan's Farm

Jordan's Farm has been a Cape Elizabeth "family tradition" for 5 generations (and counting!). Each summer, you can count on stopping by the stand on Wells Road for fresh, farm-grown produce and flowers in abundance. Last summer, the family opened "The Farm Stand," a year-round market in South Portland for the convenience of more families in the area. Located at 161 Ocean Street, the store is a partnership between Jordan's Farm and Farmers' Gate Market to bring Maine vegetables, fruits and pasture-raised meats to customers year round.



"Our goal with this year-round location is to create easy access to Maine products and a full-service butcher shop focusing on Maine grass fed beef and pasture products such as pork, chicken and lamb," said Pam Butterfield, a member of the Jordan family. "Jordan's Farm supplies and sources vegetables and fruits, rounded out with dairy cheeses, eggs, butter and other grocery products from Maine." Pam told us that the Farm Stand has done quite well and is staffed with knowledgeable people who are passionate about local food. "The Farm Stand is filling a gap in the Knightville area and people continually thank us for creating the store," she said. "They love the products and know they're doing their part to keep Maine farms working."

Jordan's Farm also offers a CSA (Community Supported Agriculture) program for their Cape Elizabeth location, in which customers pre-pay at a discounted price and then purchase products throughout the growing season. Pam noted, "Our CSA is SELF SELECT, which means customers make their choice of products available at our farm stand in Cape Elizabeth." For complete details on Jordan's Farm, visit www.JordansFarm.com.

Ricker College Endowment Fund

Ricker College was a small liberal arts college in Houlton, Maine. When it closed down in 1978 due to decreasing enrollment, most people thought it was the end of its legacy. But Tom Pierce, a Houlton native and longtime Managing Director at HM Payson in Portland, recently told us the fascinating story of how the bankrupt college became a private foundation that provides scholarships to about 100 Maine students each year. "When Ricker declared bankruptcy in the late 70s, a lady in Caribou had left some money to the college in 'trust,' and nobody quite knew what to do with it," said Tom. "Eventually the Supreme Court of Maine awarded the money to Ricker, and its trustees created a private foundation — a scholarship fund to support Aroostook County kids." So the Ricker legacy survived and the fund started handing out scholarships in 1985.



Since then, just under \$4 million has been distributed to Aroostook County kids for furthering their education. Each scholarship totals \$6,000 over 4 years (\$1,500/year) as long as the recipients stay in school and in good standing. Tom noted, "From time to time, the fund receives money in bequests from various individuals with connections to the area. A former shoe salesman, who used to travel to Aroostook County, left a trust of about \$200,000. Six years ago, a Portland attorney, who had grown up in Houlton, left \$100,000 to the fund. It will be here for many years, helping hundreds of students." To learn more, visit RickerScholarship.com.

We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.

Call for Assistance Anytime!



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