# THE E&A CFO GROUP

Eckelkamp & Associates, CPAs
E&A Management Partners, LLC

E&A Financial Partners, LLC
E&A Business Partners, LLC

## NAVIGATOR[SM]

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## WHAT'S NEW

This year has certainly been eventful—for us and for our clients. Just some of those events were:

1. April of 2015, Governor Nixon signed *House Bill 384*. The law **allows a one-time opportunity for delinquent taxpayers to pay all Missouri back taxes without penalty during a 90 day period in Fiscal Year 2016.** Until November 30, 2015, taxpayers can pay in full delinquent taxes owed without paying any additional interest, penalties, or fees. The bill prohibits amnesty for civil or criminal state tax-related investigations/litigation and requires taxpayers to stay in compliance with all state tax laws for 8 years after signing the agreement. Individuals wishing to take advantage of the amnesty program should contact E&A, or the Missouri Department of Revenue.

2. Dave Musser joined E&A in January 2015. A CPA with extensive experience in public accounting, non-profit entities, and corporate America, he brings a lot to E&A. He replaces Laurie Haller, who left E&A last Fall for a position at a larger firm. Laurie started at E&A in 2000. We are grateful for the many occasions when she went far beyond the call of duty to help E&A serve you and we wish her the very best!

3. Our teammate, Barb Kelly, lost her brave, 8-month battle with cancer and died in May 2015. Her illness arose suddenly and she went on an unexpected medical leave shortly after Laurie left. Thoughts and prayers are greatly appreciated by her family.

4. Christy Boraz joined E&A in the second quarter of 2015 to take over payroll responsibilities once we knew Barb would not return. Her payroll experience has already made a huge positive impact. Zachary Goers joined E&A as our newest intern in January and he continues working with us. He is an accounting student at Fontbonne.

5. Referrals from other CPAs represent tremendous compliments and, successful referrals came from local, regional, and international CPA firms, as well as local investment advisors in the last year. That includes six new expatriate clients that added China, Peru and South Africa to the list of our clients countries, bringing the total to 52. Other clients joining E&A since our last newsletter include a real estate investor, a health-related non-profit, several small companies with common ownership, and a neighborhood association in the City of St. Louis. Existing clients also turned to E&A for specific, significant assistance on the potential sale of their business, a Starker Exchange (1031) on the sale of commercial real estate, and recapitalizing their business.

6. The Missouri Society of CPAs asked Joe to continue his involvement with its Technical Issues Group (TIG). TIG wrote MSCPA's comment letter to the AICPA on the proposed new AICPA rules on Enhancing Audit Quality.

7. E&A conducted a client survey in late 2014. Results are on page 2. Congratulations to Tom Pulliam who won the gift certificate for a great meal to our client, Twin Oaks Wood Fired Fare, for responding quickly.

8. E&A replaced its phone and voicemail system to serve you better and to enhance our ability to deliver services from anywhere. The new systems work a little differently, so please let us know if you'd like to see changes.

9. The Missouri Department of Labor and Industrial Relations calculates the annual inflation-related increase to the standard minimum wage. Effective January 1, 2015, the rate increased to $7.65 (from $7.50). Additional changes are likely this January.

(continued on page 2)

## Client Survey

Summarized results for E&A's late 2014 client survey of a balanced cross-section of over 100 present and past clients follow. The survey occurred before Barb's medical leave. Her sudden departure temporarily impacted our service levels and likely would have impacted the results. We committed to returning quickly to the excellence the survey results showed and largely achieved that.

- 100% of respondents rated E&A's advice as "above average" or better. Two-thirds rated it superior. All responses also stated E&A has a good knowledge of that client's industry and business.
- 87% rated E&A's interest in clients and their needs "sincere and very good". The remaining 13% answered "satisfied". Similarly, every respondent would recommend E&A, and 80% were "very likely" to do so.
- Fully 75% responded "NONE" when asked how E&A can improve. (We'll still keep trying!)
- Readership of the Navigator was widely dispersed with 40% reading it "often" or "always"; 40% reading it "occasionally"; and 20% not reading it at all (mostly former clients).

**Specific client comments about E&A overall included:**

- "Honest and open and made us feel like we had been life-long customers in our first year [with them]."
- "They understand our tax returns. They're always willing to help; even if it's not their area...they get me to the right person."
- "...engaged in helping our business remain successful...creative, thoughtful, and available."

While, overall satisfaction with Portals was very good, detailed responses were mixed, (expected given their newness). Clients use them most during tax season. Fully ¾ of the comments indicated they liked the convenience of Portals. Negative comments focused mainly on learning curve issues. A few clients (Millennials) want more electronic access and we're working on that, too.

Thank you for your excellent response, feedback, and candid comments. We take them to heart and act on them. For example, we're actively researching tools to reduce the learning curve for portals. Through your feedback, we continue to improve.

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## What's New (Continued from page 1)

10. New legislation changes due dates for certain tax returns—so much for tax simplification! The changes take effect January 1, 2017, for 2016 returns. Individual returns dates are unchanged. Changes likely to affect our clients are: Partnership returns will be due 3/15 instead of 4/15. C-Corporation (not S-Corporation) returns' due date is deferred to 4/15 from 3/15. Extended due dates shift for Trusts, non-profits, employee benefit plans, and corporations.

11. The National Council of American Executives named Joe Eckelkamp a national Top Ranked Executive—an individual publicly recognized for professional excellence by peers, firms, trade groups, the press, consumers, and others. Only 10% of those evaluated receive this distinction.

12. Missouri Department of Revenue (DOR) permanently closed all of its Taxpayer Assistance Offices in St. Louis, Kansas City, Springfield, St. Joseph, Joplin, Cape Girardeau, and Jefferson City due to budget cuts. Some offices closed long ago with little fanfare. However, many taxpayers won't realize this until they need help. (See page 3 for information on IRS cutbacks).

13. Joe's oldest son, Ted, married Sarah Schumacher in late May. He's the first of the 4 Eckelkamp children to get married. Joe's daughter, Laura, went to the NCAA National Tournament with her college lacrosse team—a first for the Eckelkamp family!

14. Diane became a first-time grandmother when her daughter Katy gave birth to Makayla on March 28th. Pam Hollrah saw grandsons 2 & 3, Benjamin and John, born on March 9 and March 19.

15. Joe learned his body is 55 years old (though he thinks of himself as younger) when he herniated 2 lumbar disks in January (great timing, right?) Joe's very grateful to our client, Dr. Howard Place (spine specialist at SLU Hospital), for his excellent and conservative care that produced complete recovery without surgery, and to Sports Medicine and Training Center for their excellent physical therapy.

## Beware of "The Perfect Storm" at the IRS!

Major challenges ahead for the IRS affect us all. Tax return submission fraud exploded this year (see page 7). But , looming problems are far greater in 2015 and beyond. The IRS already stated things will be worse this coming year. Budget cuts, etc., contribute to the problem, but that's only a small part of the problem.

The aging U.S. population creates a subtle, but fundamental, shift in taxpayer needs. Taxpayers are sandwiched between aging parents and young children. As a result, even day-to-day financial transactions have major tax implications more often than in the past. A "simple" return now includes issues that affected only a very small population of sophisticated clients just 15 years ago. Examples include education credits, self-employed retirement plans, Roth IRAs, energy credits, and alternative minimum tax. Even dependents/exemptions present challenges—particularly for extended families.

Also, major new rules (e.g., new depreciation rules) and new enforcement programs, (e.g., foreign bank account and financial asset reporting) arose with very short implementation periods. Plus, the IRS is responsible for enforcing the Affordable Care Act (ACA). ACA's complex tax credits, deductions, penalties, and mandatory information reporting create a huge burden on the IRS. Just trying to publish the rules, finalize tax forms, and inform practitioners and taxpayers about ACA's impact is so overwhelming that it's "falling on the floor." Problems with ACA during tax season were so numerous, it caused items to go untended by the IRS and completely waive certain aspects of the ACA laws. That means practitioners have to guide clients through the planning process without definitive guidance.

So, the IRS is hunkering down. It eliminated two online services for practitioners, closed walk-in taxpayer assistance centers, and cut service hours. Hold times have risen to at least an hour or more. On-line services also have reduced availability. That means more services require in-person assistance at precisely the time the IRS has fewer trained staff and fewer walk-in centers.

So, get ready for an increasingly wild ride and degraded IRS responsiveness. The IRS Commissioner himself warned that 50% of taxpayer calls are likely to go unanswered. We recently spent 6+ hours on hold with the IRS for a single, simple issue—with 2 "courtesy disconnects". Overall, IRS "courtesy disconnects" rose from 544,000 in 2014 to 8.8 million in 2015.

Recently, a colleague's client tried calling the IRS, unsuccessfully, for eight days! She received an automated message to call back later. On the 9th day, she was on hold for 30 minutes and it took 40 minutes with the agent to resolve an issue that should have taken 10 minutes. For three consecutive weeks this past tax season, the IRS answered under 10% of calls.

"Here at the IRS we pride ourselves in knowing most of the answers pretty well some of the time."

In late 2014, the AICPA wrote to Congress asking them to "immediately address the 57 tax provisions that expired at the end of 2013 and the 6 tax provisions that would expire at the end of 2014." Unfortunately, the letter fell on deaf ears in Congress. January 2015 was again frenetic for the IRS as it updated forms, e-filing rules, etc. Moreover, the AICPA and a huge majority of the states have sued the Federal government over poor tax administration. This year is unlikely to be better.

One, final, aspect of complexity hasn't gotten much attention. Adding to all of the above is the ever-increasing complexity of "basic" tax compliance. The tax code is now much larger than the Bible! Even if legislated tax changes don't affect you, responsible CPAs must keep current so they can properly evaluate what does, or does not ,apply to each client.

### Vacation By The Numbers

-Over 80 % of workers check email at least once during vacation. (AOL)

-Only 38% of workers take all their vacation time. (Expedia.com)

-Men who vacation every year lower their risk of heart disease by 20%.(SUNY)

-Women who vacation more than once a year report lower levels of depression and higher marital satisfaction. (NIOSCH)

## "Risky Business"

Eliminating risk is cost-prohibitive and/or impossible. One can afford only to manage risk. Insurance deductibles, health care co-pays, and deciding when to replace a roof are examples of accepting some risk to control costs. Another example is data security. If the military and IRS can be hacked, all anyone can afford is to make it difficult enough for bad guys to go elsewhere.

While every business has risk, comparatively few actively manage it—often because we feel it can't be addressed cost-effectively or because we don't think problems will happen to us. Reactive behavior is built into the workplace. Unfortunately, few employees are rewarded for "preventing" bad things that never happen. Companies reward employees for "fixing" things, which is usually more expensive than preventing problems.

Managing risk means running the business instead of letting it run you. Risk management processes help your business run more efficiently and free you to work on things more critical for your company's growth. The business will make more money; your employees will be more productive and have higher morale; and your customers will appreciate your improved performance, quality, and concern for their privacy. For example, E&A use several methods to actively and regularly addresses risk management.

Unless risk is actively managed, crisis mode becomes the norm. The key is to think about it regularly. When risk isn't managed, employees are ineffective despite working hard to "make things happen". Using reliable, high-quality, comparatively low cost, risk-reducing processes can help remedy this. Very good, simple risk mitigation tools and methods exist that produce significant benefits without tying your hands in a futile attempt to eliminate risk. Start by doing a basic risk assessment review to identify what can go wrong. If necessary, you can get more sophisticated by using a risk management system. Regardless, the process of identifying, understanding, and mitigating risk is smart and cost effective. We can help with that if you need guidance on getting started.

Basic risk assessment (formal or informal) helps identify and prioritize the risks, defects, and/or failures of a particular area. It assesses both the probability of occurrence and the severity of its negative impact on a business's finances, reputation, etc. Normally, you can't impact severity, but you can change probability. Risks with a high probability and high severity demand prompt attention, and often simple, inexpensive plans significantly mitigate risk.

Finally, my father's advice is another simple way to reduce risk: "When you must make a decision without enough information to be comfortable, make the choice you can reverse." I use that advice daily. Let us know if you'd like our help managing your risks.

## Payroll Trends

Many business clients ask us whether they handle payroll "normally". We usually reply, "Do what makes sense for you." Yet, it comes up often enough that we gathered data from a national study. While the study is from 2011, it clearly identified several trends. These trends almost certainly accelerated since then. Key observations were:

- Weekly payrolls only occurred at just 25% of employers and were falling fast
- While only 30% of companies used semi-monthly payrolls in 2011, they were also the only category that increased. Bi-weekly payroll was still largest, but its use was dropping.
- Paper checks made up only 13% of all payroll payments and usage was declining rapidly. Fully 19% of employers in 2011 (up from 12% in 2009) issued NO paper checks. Our best estimate is that about 40% of employers today no longer use checks .
- Paper payroll stubs were used by 50% of employers in 2011 (down from 69% ). Close to 2/3 of payroll stubs are likely now electronic.

"We're trying to develop an ergonomic paycheck, one that will stretch further and not slip through your fingers so easily."

One piece of advice we give almost everyone is not to try to do payroll in-house because it's far too easy to make a mistake that costs you more than the cost of a full year of services. Even if you use someone other than E&A, it's best not to do it in-house.

# SCAM ALERT

## Tax professionals warn consumers about rip-off artists posing as IRS representatives

**by Don Corrigan**

Area tax preparation offices are reporting a spike in complaints about phony IRS calls to their clients. The calls demand money for delinquent taxes and threaten a lawsuit for failure to comply with the request.

"I've had about a dozen complaints about this from my clients," said Joe Eckelkamp, president of the E&A CFO Group, a firm that prepares taxes at 9101 Watson Road. "But the calls are not just harassing clients. My wife got two of these calls at our home.

"These scammers prey on fear," said Eckelkamp. "They want to frighten you into sending them money. And it's really a crime against older people who might be susceptible to the threats that these callers make."

St. Louis Better Business Bureau (BBB) has received more than 100 consumer reports of IRS scams this summer, which is believed to be a fraction of the actual number of people contacted and harassed.

Complaints have come from all over St. Louis, as well as Cape Girardeau, Harrisburg, Washington and West Plains in Missouri and from Mount Vernon, Ill. A woman from Bonne Terre, Mo., reported in May that she lost $2,800 in a tax scam.

"I got a complaint from a client last week who said the call originated from Pasco, Washington," said Jerry Schloss, president of Schloss & Associates, 8200 Watson Road. "He said the caller claimed to be the IRS and was asking for more than $4,000 in owed taxes over a two-year period.

"They told him his assets would be frozen and his driver's license take away," said Schloss. "He knew it was phony when he listened to the message they left originally. He called them back to listen to their threats, I think, for some entertainment."

Not everyone is entertained. The BBB reports a man from south St. Louis was intimidated and bilked out of $1,500.

The man, legally blind and dependent on disability payments for his only income, said the scheme played out over a period of three hours as callers posing as IRS agents and a Missouri law enforcement official threatened to arrest him unless he settled a debt for back taxes.

"They said: 'We can track you down anywhere,'" he told the BBB. "They cleaned me out," he said.

He said he reported the fraud to St. Louis police, the Federal Trade Commission (FTC) and the BBB. Local law enforcement authorities said there was nothing they could do to help recover his money.

Phone scammers often use common names and fake IRS badge numbers. They may know the last four digits of a victim's Social Security Number and can make caller identification information appear as if the IRS is calling. They also may send out bogus emails or pose as local law enforcement authorities to support their scheme.

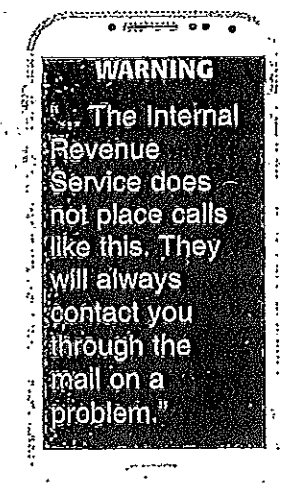
### Tax Accountant Advice

"Elderly people really get shaken up over this," said Schloss. "I advise my clients to never return these calls and to call me right away. This is always fraud, because the Internal Revenue Service does not place calls like this. They will always contact you through the mail on a problem.

"And don't try to call the IRS about the problem. Do send a letter to the IRS with the phone numbers of the scammers calling you," said Schloss. "Trying to call the IRS is pretty futile. There's a hot line just for CPAs and sometimes we wait 45 minutes for them to pick up."

Schloss said the phony IRS callers are relentless and can call 8 or 10 time a week trying to get hold of you. Eckelkamp also said clients reported numerous attempts to contact them.

"The bottom line is the IRS does not call you. This is all bogus," said Eckelkamp. "They have to send letters. And they will send you a half-dozen letters of 'attempt to levy' before they take any action to seize assets.




"There are so many phone scams out there now," added Eckelkamp. "Some of our business clients are getting calls pretending to be Ameren. And they say that payment has to be made immediately are the utility will cut off the electricity. It's flat out bogus."

Eckelkamp said anyone retrieving these phone calls from phone mail should report the numbers to the phone company, local police, the Internal Revenue Service and the Federal Trade Commission. There are stiff penalties for this kind of fraud.

### "Largest Scam"

The south St. Louis man is among the most recent victims of what U.S. Treasury official J. Russell George recently described as "the largest scam of its kind we have ever seen."

George, Treasury Inspector General for Tax Administration, said his office has received reports of some 290,000 consumer contacts since October 2013. He said thieves posing as IRS agents have stolen more than $14 million from nearly 3,000 people.

"The callers are aggressive," George told the BBB. "They are relentless and they are ruthless."

Michelle Corey, local BBB president and CEO, said educating the public about the scam may be the best way to prevent it.

"Tell your family, tell your friends, tell your neighbors," Corey advised, noting that phone calls and threats are not the way the IRS operates. "Knowledge is power," she added.

BBB offers the following tips to determine the validity of an IRS agent call on tax issues:

- If you think you may owe federal taxes, hang up and attempt to call the IRS at 800-829-1040 to ask about any calls you've received.
- Don't fall for related scams (such as lottery sweepstakes and debt relief) from people claiming to be IRS or law enforcement agents.
- IRS agents will never request payment through a prepaid debit card or a wire transfer.
- IRS agents will never threaten you with jail time or deportation.
- The IRS will not directly contact a taxpayer by phone. It will send notices by post office mail.

## Buying Versus Leasing a Car

Clients often ask whether to buy or lease a new vehicle. Today, the decision rarely has a meaningful financial impact so, it's mostly personal preference. However, certain financial considerations remain important considerations.

Leasing initially appears more appealing because it lets you drive "more car" for the same monthly payment, or it offers a lower monthly payment for a given car. However, you give up ownership, and a lease is often more complicated because of issues regarding the number of miles allowed, excess mileage charges, permitted modifications, up front cash requirements, etc.

Buying a vehicle is straightforward. You either pay cash or borrow money and make monthly payments until the loan is repaid. Eventually, you own the vehicle free and clear. You keep it as long as you want and can do whatever you want to it. Because you pay for the vehicle's entire cost, monthly payments are normally higher than for a lease. With a lease, you commit to always having a monthly payment and never "own" anything.

In both a lease and a loan, you borrow the entire value of the car. You immediately tie up funds for the full vehicle value either way. Most tax considerations no longer apply. Those that do are of secondary importance.

Both loans and leases charge monthly interest on that full amount. Only principal amounts paid back differ. Loan principal payments repay the entire cost of the vehicle. Leases only pay back the vehicle's decline in value during the lease as principal.

**Advantages to leasing are:**

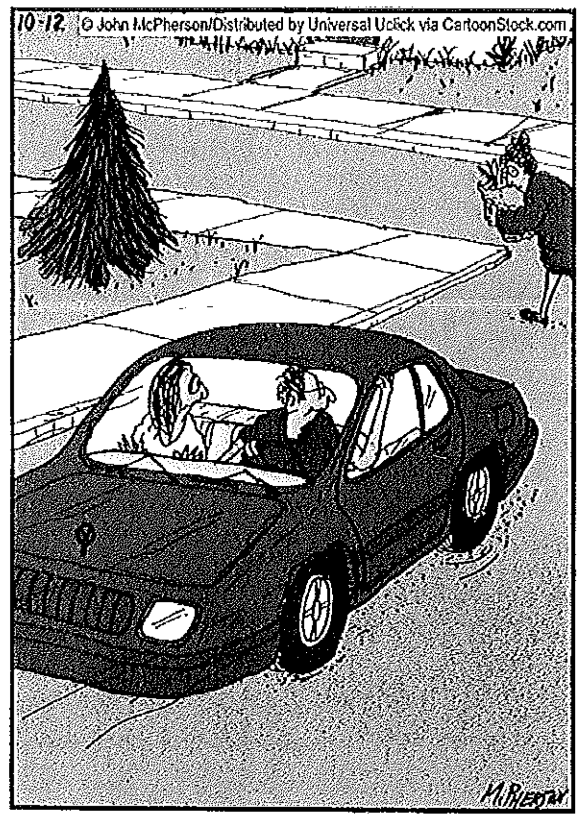
- A smaller down payment (manufacturers' purchase incentives sometimes eliminate this advantage).
- Drive a better vehicle than you might otherwise be able to afford.
- You're always driving a late-model vehicle that is under warranty.

**Disadvantages to leasing are:**

- Higher interest rates typically apply to leases.
- Monthly payments continue forever. You can keep a purchased auto after the loan is repaid without additional payments.
- Leases typically include only 12,000-15,000 miles per year. Excess mileage penalties of 10-15 cents/mile apply.
- If you don't maintain the vehicle "properly", excess wear-and-tear charges arise when you turn it in. If the interior is heavily worn/soiled and/or you have a lot of dents and dings, you'll pay extra fees at termination.
- If you want to get rid of the vehicle early, very large early-termination fees and penalties may apply.
- You aren't allowed (or need permission) to customize your vehicle significantly.

**Conclusion:**

Normally, buying a vehicle is best if you drive over 12,000 miles per year, keep cars a long time, and/or expect kids/others to dirty/damage the interior. Leasing makes more sense if you drive relatively few miles, want a new car every few years, want the maximum car for a given monthly payment, and don't mind "surprise" amounts due at the end of the lease.




**With the mileage on his car close to the limit for his lease agreement, Dave drove backward whenever possible.**

## "Whoda' Thunk..."

**What do the following 54 countries all have in common ?**

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|---|---|---|---|---|---|
| **Argentina** | **Chile** | **England** | **Israel** | **Nigeria** | **Switzerland** |
| **Azerbaijan** | **China** | **France** | **Japan** | **Pakistan** | **Syria** |
| **Australia** | **Columbia** | **Greece** | **Jordan** | **Peru** | **Taiwan** |
| **Belgium** | **Croatia** | **Guatemala** | **Madagascar** | **Poland** | **Thailand** |
| **Boznia-Herzegovina** | **Costa Rica** | **Hong Kong** | **Mauritius** | **Romania** | **Turkey** |
| **Brazil** | **Denmark** | **India** | **Mexico** | **Russia** | **Turkmenistan** |
| **British Virgin Islands** | **Dominican Republic** | **Indonesia** | **Moldova** | **Saudi Arabia** | **U.S.A.** |
| **Canada** | **Dubai** | **Iraq** | **Morocco** | **South Africa** | **Ukraine** |
| **Cayman Islands** | **Egypt** | **Ireland** | **New Zealand** | **Spain** | **Vietnam** |

Whether the client is a foreign national living and working in the U.S., or a U.S. citizen living and working abroad, E&A meets their highly specialized U.S. tax needs. "Whoda' thunk" this would be true of a small, Midwestern firm like E&A? The MSCPA magazine, "The Asset", even asked Joe to write an article on the reporting requirements for those with assets overseas.

E&A developed its specialty niche in U.S. tax preparation and bank account reporting for expatriates over many years. Large corporations employing foreign nationals; accounting firms who choose not to fight the idiosyncrasies of foreign bank account reporting (FBARs); and, most importantly, clients using our services, recommend E&A to employees, clients, friends and co-workers.

Besides preparing and filing taxes, we take the time to put these clients at ease with the quirks of tax law and other applicable rules—something they greatly appreciate. Many clients come from places where tax rates are exceedingly high, and/or where delaying filing a tax return can lead to penalties that are far more harsh than just monetary penalties. Plus U.S. penalties can reach 50%. We want them to be as comfortable as any client with their results.

## Missouri Income Tax Cut

When asked what tax environment is best for E&A, Joe usually jokingly respond, "It doesn't matter if rates are high or low. I just need them to change." Well, Missouri has helped with that.

The Missouri legislature overrode the Governor's 2014 veto and reduced personal income tax rates. It also phased-in a personal income tax deduction for business income, and increased personal exemptions for certain taxpayers. All changes begin in 2017.

**Maximum Tax Rate.** The top personal income tax rate (currently 6%) drops by 0.1% each year that a specific revenue target is met until it reaches to 5.5%. State tax brackets also will adjust annually for inflation. For someone with $50,000 of taxable income, the fully phased-in tax rate cut reduces their tax bill by $250.

**Business Income Deduction.** In an effort to level the playing field for small businesses with large corporations, a personal income tax deduction for business income also phases in overtime if specified state revenue targets are met. S-corporation shareholders and partners in partnerships will receive a deduction based on their ownership of percentage. Initially, 5 percent of their share of the entity's income is deductible. For example, if a company makes a profit of $100,000 in 2017, a 25% shareholder can deduct $1,250 ($100,000 x 5% x 25%) from Missouri taxable income. At a 6% state tax rate, that saves $75/year.

**Personal Exemption.** Both Missouri resident and his/her spouse with adjusted gross income under $20,000 can claim an additional $500 state personal exemption (on top of the current $2,100 personal exemption).

**If you have any questions, please contact our office.**

# Tax Return Preparation Fraud



The news media correctly and repeatedly noted 2015 as the year when fraudulently filed returns exploded! A number of media outlets contacted Joe for guidance on their reporting on this issue. The IRS estimates the total fraud in 2015 was $30 Billion, quintuple the $6 Billion in 2014. St. Louis ranks 3rd nationally—behind Seattle and Miami. It wasn't even in the top 50 last year. USA Today ranks Missouri 4th with 119 complaints per 100,000 in total population. Chesterfield police alone handled 500 cases (about 3% of households) by April 16, 2015.

E&A, also saw a flood. Until last year, we never had a client impacted. Last year, only one client was hit. This year, it affected 14% of the 2014 personal returns we prepared. Our colleagues experienced similar surges. Plus the IRS recently announced sophisticated cyber criminals hacked its computer systems multiple times, stealing taxpayers' detailed tax return information (not just Social Security Numbers).

In the past, frauds were often perpetrated by petty criminals that weren't very smart,—including one who used Atty. General Eric Holder's identity; claimed Holder worked at Wal-Mart; and had the refund sent to his own home address. Now, individual scammers still exist, but the scale is much larger. Many perpetrators are believed to be organized crime—both in and out of the U.S. Many tax professionals in Saint Louis suspect the increase is related to Anthem's data breach because medical providers comprise a disproportionately large percentage of victims, but there's no way to be sure.

**Three questions almost always arise with the victims:**

Am I out any money?

Not from this event. The IRS, (thus, all of us) is out $20-30 Billion, but you have lost nothing individually. However, the thieves now know they have a valid Name/SSN combination, so you should take steps to reduce risk elsewhere. The fraud also slows refunds significantly, so expect to wait months for a refund.

Could I have prevented this?

Not really. The IRS processes whichever return arrives first—yours or the thief's. The main way to prevent the problem is to file very early in the season., but often that's not possible because 1099s and K-1s are late. However, unlicensed tax preparation firms in virtually every state perpetrated tens of millions of dollars of frauds, so it's also wise to work with professionals you know you can trust.

What should I do if I'm a victim?

First, make sure your tax return gets filed properly—on paper with Form 14039 (an affidavit of identity theft) attached. Also, file a police report and a complaint with the FTC to protect yourself from future problems. IRS Publication 4535 addresses this, but we'll be pleased to assist if you want extra peace of mind. While those steps solve the tax fraud concern, they do little to protect against more damaging future outcomes from the identity theft. We recommend that victims:

1. Ask the 3 major credit bureaus to "freeze" your credit so only you can open new accounts in your name.
2. Inform your bank, brokerage firm,, etc., to flag your account as vulnerable to fraudulent activity.
3. Review current credit reports from all 3 bureaus every quarter, or so, to ensure only valid items appear under your name(s).
4. Review your Social Security earnings record annually to ensure your correct income is recorded.
5. Strongly consider buying identity protection service—at least for 12-18 months. The services will monitor banking activity, affirmatively alert you of suspicious activity, etc., and provide insurance for damages if their service fails. Examples are Lifelock and Identity Guard.
6. Change passwords and identity confirmation question answers for online banking, eBay, credit cards, etc., to make them stronger. Use 8+ character passwords that aren't obvious—e.g. instead of "taxation", use "t@x@tiØn" and use a childhood friend's name as a challenge answer instead of your mother's maiden name.

## INSIDE THIS ISSUE



## Email Newsletter

E&A is committed to serving clients in ways best-suited to your needs. Therefore, E&A's *Navigator* newsletter is now available in two new ways. In addition to the traditional print version, you can receive it via email and/or via your secure Client Portal. Please let us know if you prefer an electronic format over the hardcopy version. Eventually, we will also make it available on E&A's website.

Based on client feedback, we've also renewed our commitment to making Navigator as informative as possible by publishing it more frequently than in recent past (likely 2+ times a year). To that end, we're also asking our clients and friends to send us any topics you'd like addressed in future issues.

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