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JUNE 2016

# Consolidate accounts and SIMPLIFY your financial life

If you've accumulated many bank, investment and other financial accounts over the years, you might consider consolidating some of them. Having multiple accounts requires you to spend more time tracking and reconciling financial activities and can make it harder to keep a handle on how much you have and whether your money is being invested advantageously.


Start by identifying the accounts that offer you the best combination of excellent customer service, convenience, lower fees and higher returns. Hold on to these and consider closing the rest, keeping in mind the bank account amounts you'll be consolidating. The Federal Deposit Insurance Corporation generally insures $250,000 per depositor, per insured bank. So if consolidation means that your balance might exceed that amount, it's better to keep multiple accounts. You should also keep accounts with different beneficiaries separate.

When closing accounts, make sure you stop automatic payments or deposits and destroy checks and cards associated with them. To prevent any future disputes, obtain letters from the financial institutions stating that your accounts have been closed. Closing an account generally takes several weeks.

*Courtesy of: Howard J. Schneider, CPA*

*Bill Sipes*

*Stacy Seaton*

**LET US HELP YOU MAKE SENSE OF YOUR FINANCES**

Sipes & Seaton is a trusted financial partner that uses strong relationships and leadership to assist our clients in determining their vision of the future and to creatively assist them to locate a clear path to attain that future, which would include protecting assets, minimizing taxes, and building wealth.


## Inside this Issue

# How You Can Help Prevent Tax-related Identity Theft


Tax-related fraud isn't a new crime, but tax preparation software, e-filing and increased availability of personal data have made tax-related identity theft increasingly easy to perpetrate. The IRS is taking steps to reduce such fraud, but taxpayers must play their part, too.

**How they do it**

Criminals perpetrate tax identity theft by using stolen Social Security numbers and other personal information to file tax returns in their victims' names. Naturally, the fake returns claim that the filer is owed a refund — and the bigger, the better.

To ensure they're a step ahead of taxpayers filing legitimate returns and employers submitting W-2 and 1099 forms, the thieves file early in the tax season. They usually request that refunds be made to debit cards, which are hard for the IRS to trace once they're distributed.

**IRS takes action**

The increasing rate of tax-related fraud — not to mention the well-publicized 2015 IRS data breach — has spurred government agencies and private sector businesses to act. This past June, a coalition made up of the IRS, state tax administrators, tax preparation services and payroll and tax product processors announced a new program with five initiatives:

**1. Taxpayer identification.**

Coalition members will review transmission data such as Internet Protocol numbers.

**2. Fraud identification.**

Members will share fraud leads and aggregated tax return information.

**3. Information assessment.**

The Refund Fraud Information Sharing and Assessment Center will help public and private sector members share information.

**4. Cyber Security framework.**

Members will be required to adopt the National Institute of Standards and Technology cyber security framework.

**5. Taxpayer awareness and communication.**

Members will increase efforts to inform the public about identity theft and protecting personal data.

**Your role in preventing fraud**

But the IRS and tax preparation professionals can't fight fraud without your help. Be sure to keep your Social Security card secure, and if businesses (including financial institutions and medical providers) request your Social Security number, ensure they need it for a legitimate purpose and have taken precautions to keep your data safe. Also regularly review your credit report. You can obtain free copies from all three credit bureaus once a year.

*Courtesy of: Howard J. Schneider, CPA*

# What You Should Know About Capital Gains and Losses

When you sell a capital asset, the sale results in a capital gain or loss. A capital asset includes most property you own for personal use (such as your home or car) or own as an investment (such as stocks and bonds). Here are some facts that you should know about capital gains and losses:

• **Gains and losses.** A capital gain or loss is the difference between your basis and the amount you get when you sell an asset. Your basis is usually what you paid for the asset.

• **Net investment income tax (NIIT).** You must include all capital gains in your income, and you may be subject to the NIIT. The NIIT applies to certain net investment income of individuals who have income above statutory threshold amounts: $200,000 if you are unmarried, $250,000 if you are a married joint-filer, or $125,000 if you use married filing separate status. The rate of this tax is 3.8%.


• **Deductible losses.** You can deduct capital losses on the sale of investment property. You cannot deduct losses on the sale of property that you hold for personal use.

• **Long- and short-term.** Capital gains and losses are either long-term or short-term, depending on how long you held the property. If you held the property for more than one year, your gain or loss is long-term. If you held it one year or less, the gain or loss is short-term.

• **Net capital gain.** If your long-term gains are more than your long-term losses, the difference between the two is a net long-term capital gain. If your net long-term capital gain is more than your net short-term capital loss, you have a net capital gain.

• **Tax rate.** The capital gains tax rate, which applies to long-term capital gains, usually depends on your taxable income. For 2015, the capital gains rate is zero to the extent your taxable income (including long-term capital gains) does not exceed $74,900 for married joint-filing couples ($37,450 for singles). The maximum capital gains rate of 20% applies if your taxable income (including long-term capital gains) is $464,850 or more for married joint-filing couples ($413,200 for singles); otherwise a 15% rate applies. However, a 25% or 28% tax rate can also apply to certain types of long-term capital gains. Short-term capital gains are taxed at ordinary income tax rates.

• **Limit on losses.** If your capital losses are more than your capital gains, you can deduct the difference as a loss on your tax return. This loss is limited to $3,000 per year, or $1,500 if you are married and file a separate return.

• **Carryover losses.** If your total net capital loss is more than the limit you can deduct, you can carry over the losses you are not able to deduct to next year's tax return. You will treat those losses as if they happened in that next year.

*Courtesy of: Howard J. Schneider, CPA*

# How to Appeal Your Property Taxes

Between 30 percent and 60 percent of taxable property has an inflated assessment, which may lead to higher property tax bills. Moreover, typically fewer than 5 percent of taxpayers dispute their assessment.[1]

For homeowners who think their local government may have assessed their property's value too high, there are ways to appeal and potentially win a lower assessment, which may save hundreds or even thousands of dollars annually in future taxes.[2]

The procedures and requirements for challenging the assessed value of your property will differ by state, but you should consider a number of general factors.

## Determine Whether an Appeal Is Justified

Your opinion of the fairness and accuracy of your property assessment is not enough. You will need to gather facts to support your claim. One way to do that is to see how your home compares to similar homes in your neighborhood.

Check to see if there are any obvious errors (e.g., is the square footage incorrect?). If you have found an outright error, you may be able to simply bring it to the assessor's attention and get it corrected.

## Consider the Cost-Benefit Ratio

Appealing your assessment may cost you money, depending on the complexity of the process and whether you choose to use professional resources. You are the ultimate judge of weighing the costs related to some uncertain financial reward, but know the cost-benefit before you start. For instance, you may not want to spend $1,000 to save $200 per year.

## Use an Independent Appraiser

Your appeal will have less credence if the market evaluation is made by a local real estate agent. A comparative appraisal will carry considerably more weight when it is performed by a credible, third-party expert.

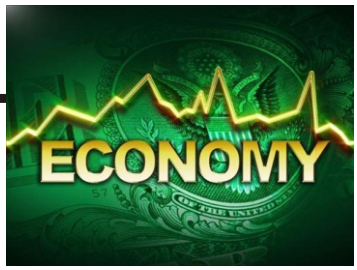
## Follow All the Rules

Appeals have precise deadlines and procedures. You need to meet them; otherwise you run the risk of losing out on the opportunity to have your appeal heard for another year. Call your local officials or visit the relevant website to familiarize yourself with the appeal process requirements.

National Taxpayers Union Foundation, 2016

The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

# *Latest AICPA Economic Outlook Survey points to increase in U.S. Economy optimism*




By Sean McCabe

June 2, 2016

According to the results of the Q2 AICPA Economic Outlook Survey, executives across the country are feeling a bit more hopeful about the U.S. economy's outlook than last quarter, the AICPA announced on Thursday.

The Economic Outlook Survey polls CEOs, CFOs, controllers and other CPAs in U.S. companies who hold senior management roles. The Q2 survey was conducted May 10-26 2016 and received 744 qualified responses.

Approximately 37 percent of those polled expressed optimism about the U.S. economy over the next year, an upgrade from a three-year low (28 percent) last quarter. However, the same measurement polled at 68 percent in the first quarter of 2015.

Concerning the hiring outlook, about 19 percent of executives say their businesses are looking to hire immediately - up from 15 percent last quarter. Executives who say their company needs professionals but are cautious to hire increased to 18 percent - up 2 percent from last quarter.

"The good news is the slide in sentiment about the U.S. economy has reversed course and key performance indicators are pointing back up," said Arleen Thomas, senior vice president of management accounting and global markets at the AICPA, in a statement. "But there's a long way to go to get back to the levels of optimism we saw in late 2014 and early 2015. On top of that, the presidential election and global economic uncertainty add some wild cards going forward."

The CPA Outlook Index—a gauge of executive sentiment within the AICPA survey— also rose five points in Q2 to 68, but still remains below the post-recession high of 78 set in the fourth quarter of 2014.

Other significant findings of the survey include:

•First quarter optimism concerning executives' own organizations was below 50 percent for the first time since 2012. This quarter increased 9 points to 53 percent.

•Some 58 percent of executives said they expect their companies to expand in the next 12 months – an increase of six percentage points from last quarter.

•Investing in technology 0.3 percentage points from last quarter to 2.6 percent. Other capital spending also rose to 2.1 percent from 1.5 percent, quarter over quarter

•Some 23 percent of executives listed inflation as a potential issue, compared to 12 percent for deflation.

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# *Welcome Rebecca!*

We welcome Rebecca Richards to our team! She joins us with an Associates Degree in Accounting and experience as Office Manager at Fogg Farms in Heth, Arkansas.

She will be filling Alisha Long's position as Administrative Assistant. Alisha joined us in 2007 and will truly be missed. She has decided to stay at home with her family. We wish Alisha the best!

Please join us in welcoming our newest member, Rebecca Richards!

*Rebecca Richards*

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