

The Rudolph Report

www.rudolphcpa.com Opening Day 2015

To all our clients:

After a tiring and successful tax season, we want to extend our gratitude to you. We appreciate serving as your CPA firm. All of us, including Wayne, Charlie, and Arturo, look forward to serving you again next year.

Our front desk staff also looks forward working with you next year. Many of them worked more than 75 hours each week and maintained a cheerful disposition between serving you and supporting a sometimes cantankerous boss. Many times Karen remarked how mindful and patient the clients have been. Thank you for being so considerate to our front desk staff. Next year, Karen promises to keep that candy bowl full.

In this newsletter, we'll address two ugly issues that unfortunately have affected some of you: identity theft and tax scams. We'll also discuss 2015 changes in the Affordable Care Act. Please know that we are here throughout the year to assist you with tax planning or occasional questions. We cannot always prevent a large tax assessment, but we can prevent surprises. Please don't be shy about calling. Arturo pounces on a ringing phone like a puma. This is especially helpful when I slip out of the office when the Cubs are in town.

The sun is shining, the Chicago National League ballclub is in second place, and Edwin, "No-win," Jackson is on the trading block. Life ain't bad, and I have you to thank.

Chris Rudolph CPA

IDENTITY THEFT AND YOUR TAXES

An alarming rise in **identity theft** has our attention. The IRS reports that identity theft and tax refund frauds have risen 600% since 2010. All of the local accounting firms have seen an unsettling proportional increase in identity theft. Unfortunately, we've seen an increase in our own clientele.

Here's **how it works**: First, the perpetrator (likely a Mets fan), steals a person's social security number, name, and birth date. He then creates fictitious W2's and e-files a fraudulent tax return. The refund is sent into a newly opened bank account for a direct deposit. Often, a return is filed in January before the taxpayer would normally file a genuine tax return. When the correct return is later filed by the taxpayer, that tax return is rejected by the IRS. A second return under the same social security number may not be filed twice.

Afterward, an identity theft affidavit and a paper filing of the return must be sent to the IRS. Eventually, the IRS processes the tax return (emphasis on *eventually*). The taxpayer is encouraged to inquire if bank accounts and credit cards have been opened in his or her name. The IRS often issues the taxpayer a personal identification number for safe e-filing in the future.

In conversations with a local IRS criminal investigator and a local detective, I've learned some **suggestions** to pass along:

- Check out www.consumer.ftc.gov to obtain your annual free credit report to look for unusual activity.

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- Consider hiring a credit monitoring service to alert you of suspiciousness.
- Check your SSA earnings statement annually for accuracy.
- Hesitate to release your social security number to any business.
- Update your firewall and anti-virus.
- Keep a bag of scorpions at your bedside.
- Password protect certain files at home and at work.

We are acutely aware of the significance of your personal information, and we have elevated measures to ensure its protection. We are working with a secure offsite data center (think Fort Knox with alligators). Perpetrators will find that trying to steal from us will be as disappointing as Sunday brunch at my mother-in-law's when the stovetop is oozing with cod crêpes.

THE IRS SCAM

Last night, I received a deceptive phone call at my house from someone purporting to be an IRS agent. The premise of the scam was that I owed back taxes, and that I may soon go to jail if I did not wire \$2,000 to him immediately. When I told him that I didn't have any dollars but only a pile of Ruppies and a vintage Hungry Hungry Hippos, he became hostile. He threatened to send the police over to arrest me, using vocabulary that would make Lee Elia blush. This scam has been attempted on dozens of our clients and is noted by the US Treasury as the largest IRS scam ever (biting my tongue). TIGTA, the Treasury Inspector General, has

issued lengthy pronouncements on this scam. You can learn more detailed information at their website, www.treasury.gov/tigta. Here are a few items to consider:

- The IRS never initiates contact with a phone call.
- The elderly are often targets.
- To seem legitimate, these people can use your name, address, and even the last four numbers of your social security number.
- Demand the assessment in writing.
- If you have had a lien posted on your property in the past by the IRS, it is public record. They will manipulate that lien to lend credibility to the call.
- Report these clowns to the US Treasury at 800-366-4484. Hopefully, they'll track 'em down, egg their house, and give them wet willies.

2015 AFFORDABLE CARE ACT

In 2015 you will receive a form 1095-C from your insurance company to file with your income tax return if you receive insurance through your employer. It serves as proof to the IRS that you had creditable coverage. If you purchased insurance on your own--but not through the exchange—you will receive a form 1095-B to file with your 1040. If you do not have insurance, then be prepared for a large penalty increase. This year, the penalty is 2% of adjusted gross income for the months you are missing coverage. In 2016, the penalty increases to 2.5% (and a possible deportation to Cicero).