



CLIENT NEWSLETTER

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Managing Underperformers

The April edition of NSA Practice Advisor discusses management styles for handling underperforming employees. In short, you can:

- Do nothing.
- Point out shortcomings.
- Reduce responsibilities.
- Fire them.

A quick scan of these options doesn't reveal any sure way to get the employee up to speed and grow their skillset. Instead, the article suggests that you engage the employee by:

- Daily communication. This doesn't mean constant review; instead e-mail or instant message.
- Teach them.
- Coach, counsel & mentor.
- Write it all down.
- Tie their job to overall firm goals. If the employee understands how their part contributes to the firm's success, they understand how they really matter.
- Train your supervisors.

Who You Gonna Call?

Three times in the last several weeks, clients have called to say the IRS had called them (in one case it was supposedly a collection agency working with the Service) and they were on the verge of being garnished, liened or arrested for unpaid tax liabilities. A quick downpayment on the outstanding debt of \$1,000 would hold off the extreme action and allow the unaware taxpayer to find some resolution. No money? Well, the sheriff will be at your door momentarily!

While the IRS may indeed call you (they will never e-mail you), they will give you a badge number, a phone number and a way for your representative (me) to make contact.

Roth IRA Conversions

Roth IRAs have been off-limits to high income earners; married filing jointly (MFJ) with Modified Adjusted Gross Income (MAGI) in excess of \$188,000 or Single filers with MAGI > \$127,000. The only way these folks can have a Roth IRA is to convert money from a traditional IRA to a Roth IRA. At the time of the conversion, the tax due on the traditional IRA value that is being converted is assessed. If the taxpayer has basis in the traditional IRA (has made non-deductible contributions) that portion of the conversion value is not subject to tax.

Unfortunately, you can't convert just the nondeductible portion of the IRA value to a Roth. For instance, if you've put in \$30,000 of nondeductible contributions and the current IRA value is \$90,000; converting \$30,000 to a Roth IRA, then 1/3 of the amount is not subject to tax. The part that IS taxable though impacts deductibility, taxability, additional taxes and future Medicare premiums.

Specifically, the higher income reported in the year of conversion can impact:

- Phase outs of rental property losses
- Phase outs of itemized deductions
- Phase outs of personal exemption amounts
- Impact/increase taxability of social security income
- Trigger 3.8% Medicare surtax
- Increase Medicare premiums in two years following the high income event (2014 income reported in early 2015 will impact Medicare premiums in 2016).

A 'work around' for some of these negative impacts is to convert to a Roth IRA over time, a smaller amount in each year. If conversion decisions are made with all other income in mind, it becomes easier to anticipate the tax impact.

And, if after all of this, the tax impact is still too staggering to deal with, you have until October 15 of the following year to change your mind and undo the conversion, switching back to a traditional IRA.

Our **BIG** Changes

Please welcome Cindy Benson, E.A. to our office. We are very lucky to have someone with her experience and skills join our staff. Not only does she know our accounting and tax software, but she's familiar with many others as well. She is a recent transplant to FL, coming here from CO. So far she approves of our weather! Should you call the office and reach her, or get a call or e-mail from her, please take a moment to say 'Hi.' I know you'll enjoy working with her.

The other part of that news is that Cindy is replacing Donna Toye, my longtime colleague and friend. She will be sorely missed by many, especially me, not only for her excellent work effort, but for her easy laugh and empathetic ear. We wish her much success at her new position.

The most special news of all is that Lisa York's sporadic hours these days can be explained by the arrival of Alyssa! The 8+ lb. bundle of joy joins mom, dad and sister, Victoria, to round out the York family pack. Congratulations to all!

They say the only thing you can count on is change and the second quarter has brought us plenty. As we get comfortable with our new dynamics, please let us know if there are ways we can serve you better. Each change should improve the way our clients are served.

IF YOU'RE ON EXTENSION....

My schedule takes me out of the country from the middle to the end of September. If your partnership, corporate or trust return is on extension, it must be filed on or before September 15. This year it must be filed by September 12 (three days earlier).

Individual returns on extension are due by October 15. Please make an effort to get your tax information in as early as possible to give ample time to capture all of the relevant information.

DATELINE: IRS

The IRS has released the Taxpayer Bill of Rights after extensive discussions with the Taxpayer Advocate Service, an independent office inside the IRS that represents the interests of U.S. taxpayers. Since 2007, adopting a Taxpayer Bill of Rights has been a goal of National Taxpayer Advocate Nina E. Olson, and it was listed as the top priority in her most recent Annual Report to Congress. Congress has passed multiple pieces of legislation with the title of "Taxpayer Bill of Rights," Olson said. "However, taxpayer surveys conducted by my office have found that most taxpayers do not believe they have rights before the IRS and even fewer can name their rights. I believe the list of core taxpayer rights the IRS has announced will help taxpayers better understand their rights in dealing with the tax system." The tax code includes numerous taxpayer rights, but they are scattered throughout the code, making it difficult for people to track and understand. Similar to the U.S. Constitution's Bill of Rights, the Taxpayer Bill of Rights contains 10 provisions. They are:

1. The Right to Be Informed
2. The Right to Quality Service
3. The Right to Pay No More than the Correct Amount of Tax
4. The Right to Challenge the IRS's Position and Be Heard
5. The Right to Appeal an IRS Decision in an Independent Forum
6. The Right to Finality
7. The Right to Privacy
8. The Right to Confidentiality
9. The Right to Retain Representation
10. The Right to a Fair and Just Tax System

OFFICE NEWS

This quarter finds lots of activity but our quarterly meeting schedule will not be disrupted.

- July 3 – 8: Upstate NY
- July 4: Closed for the 4th of July
- Aug 18 - 22: IRS Conference, MD
- September 1: Closed for Labor Day
- September 13 – 29: Peru

Enjoy this summer season!

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