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This will be interesting!

With elections coming up, it is almost certain that within a year or so there will be a change in our tax code yet again. We can only imagine the wrangling that will be necessary to take either of the presumptive candidates' plans from stated positions to something that would be acceptable to enough members of Congress to pass into law. Whatever the result, there will likely be new considerations for taxpayers to determine how best to arrange their financial affairs. We look forward to helping you meet the challenge!

Who are the beneficiaries of your retirement accounts?

It is a good idea to verify that your various IRA and 401K accounts have the correct information about your intended beneficiaries. Also check the beneficiaries named on your life insurance policies, health savings accounts, and annuities. There have been instances where the beneficiary designations were never made or the plan trustee lost the forms. There may also be changes in your personal circumstances which cause you to reconsider who should inherit the account (divorce, grandkids who never visit you or thank you for birthday presents, a new best friend). Keep in mind that it is rarely a good idea to name your trust as a beneficiary. The IRA/401K beneficiary designation form is a legal document and supersedes any designation in your living trust regarding distributions from the plans. If you name a trust as the beneficiary, there is an added level of complexity and if not done properly, immediate income tax consequences could be the result on the death of the account holder.

This is a top 500 list you don't want to be on!

The Franchise Tax Board (FTB) will be publishing its list of the Top 500 delinquent individual and business taxpayers in October. Since the list's inception in October 2007, FTB has collected more than $414 million from delinquent taxpayers.

Delinquent taxpayers face an array of consequences:

- If they hold a professional or occupational license, that information is noted on the list and the license may be suspended until the tax bill is resolved.
- The state may suspend the delinquent taxpayer's driver license until the tax bill is resolved.
- State agencies are prohibited from entering into contracts for the acquisition of goods or services with listed taxpayers.
- FTB publishes the names and titles of principal corporate officers of corporations on the list.

FTB removes a taxpayer from the list once the debt is paid or once the taxpayer agrees to make payments under an approved agreement or compromise. Tax liabilities for which the persons liable have filed for bankruptcy protection are not included on the list.

Know These Tips If You Travel For Charity Work

Did you donate your services to charity this summer? Did you travel as part of your services? If so, some travel expenses may help lower your taxes when you file your return next year. Here are several tax tips that you should know if you travel while giving your services to charity.

- **Genuine and Substantial Duty** – Your charity work has to be real and substantial throughout the trip. You can't deduct expenses if you only have nominal duties or do not have any duties for a significant part of the trip.
- **Value of Time or Service** –You can't deduct the value of your services that you give to charity. This includes lost income while you are an unpaid volunteer for a qualified charity.
- **Qualified Charities** - Your volunteer work must be for a qualified charity to deduct your costs. Qualified organizations must be eligible to receive tax-deductible charitable contributions. Most groups have to apply to the IRS to become qualified. Churches and governments are qualified and do not need to apply to the IRS. Ask the group about its IRS status before you volunteer. You may also be required to retain documentation from the charity for your services. A sample letter is on our website.
- **Out of Pocket Expenses**-You may be able to deduct some costs you incur in order to give your services. This can include the cost of travel. The costs must be necessary while you are away from home giving your services to a qualified charity.

Make On-Line Payments Carefully!

Many of you are discovering that the IRS DirectPay site and the FTB WebPay site are relatively simple to use to make your tax payments. You are happy to avoid dealing with the U.S. mail service and worrying about checks never arriving at their intended destination. Good for you! However, as you zip through the entries to make your payments, please check, double check, and triple check that the year your payment is to be applied to is correct. Estimated tax payments, extension payments and balance due payments all relate to specific years. If you make a mistake, it will take time and correspondence to correct the error (or hours on hold when calling IRS and FTB).

TELEPHONE SCAMMERS!

Far too many of you have been on the receiving end of very scary tax scam phone calls, and you've all been smart enough to call us so we can confirm that you don't really need to be worried about being arrested, sued, or immediately paying money to IRS. For the rest of you, it is probably just a matter of time before you too get one of these disturbing phone calls. How do you know it is a scam? Because IRS does not phone or send emails! (Hey, IRS barely *answers* phone calls now, given their budget cuts). If you are targeted by this scam hang up and report the incident to the Treasury Inspector General for Tax Administration at (800) 366-4484. You should also file a complaint with the Federal Trade Commission using the "FTC Complaint Assistant" at FTC.gov and adding "IRS Telephone Scam" to the comments portion of the complaint. And of course, you can always call us for reassurance that IRS isn't going to be knocking on your door.

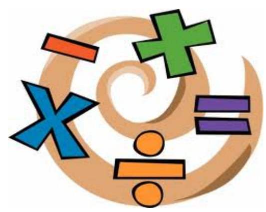
Called the largest scam of its kind by the Treasury Inspector

More Changes for California Employers

New Overtime Rules Go Into Effect December 1st

Background: The Fair Labor Standards Act (FLSA) requires employers to pay non-exempt employees at least minimum wage for each hour worked and overtime pay for each hour over 40 hours in a week (8 hours in one day in California.) While most employees are non-exempt, the FLSA allows for some administrative, professional, executive, and highly compensated

employees to be exempt from overtime rules. The FLSA changed the salary requirement for the exemption. It is increased to $913 per week or $47,476 per year (up from $455 per week or $23,660 annually). If you have any employees that you have treated as exempt and they are not currently



earning at least the new minimum salary of $47,467, you will either need to give the affected employees a raise or reclassify them as non-exempt and pay them overtime.

New Piece Rate Rules In Effect on January 1st

California passed AB 1513, which changed the way piece rate compensation is calculated. There is a new requirement to pay for non-productive time as well as required breaks. The payments can no longer be calculated using minimum wage as the benchmark. Additionally, California has taken a very strict interpretation of commission pay vs piece rate pay and has swept unsuspecting industries into the new piece rate rules. One such industry is the salon industry.

If you think you might need to re-examine how you pay your employees, please give us a call so we can help you review the new rules.

Minimum Wage Increased July 1st

Effective January 1, 2016 the minimum wage in California is $10 per hour. The minimum wage is higher in certain cities and as of July 1, 2016, increased once again. For example, San Francisco's rate increased to $13 per hour. You should check to see if your city's rates have changed by going to your city's website and looking for the minimum wage ordinance.

One more reason to keep good records

The California Franchise Tax Board has a program called "MyFTB". This program provides tax account information and online services to individuals, businesses, and tax preparers. As tax preparers, we had immediate access to your account and could verify certain information that we needed to prepare your tax return, such as to confirm estimated tax

payments you made if you didn't have a record of those payments. Now, due to tax identity theft concerns, the FTB is required to give you, the taxpayer, an opportunity to deny our request to look at your account (you receive a letter from the FTB informing you how to do this). As a result, there is now a 10-day wait from the time we log onto your account until we are allowed to log in again to view the information. This will of course cause delays in completing your return, and is very inefficient. Please keep good records about all your payments to the FTB (and IRS), so that we can avoid the tedious process of contacting the tax agencies on your behalf.

As always, we appreciate your referrals. Your confidence in us is greatly valued.

We say it each year, and it is still true today: We enjoy what we do and we enjoy working with you!

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We appreciate the confidence you have in us. It is not taken for granted.

Capitalize vs. Expense

IRS has increased the de minimis safe harbor when choosing to capitalize or expense an item. Most businesses can expense up to $2,500 per item rather than capitalize the item. This is an increase from the former safe harbor amount of $500 per item.

Significant Tax Benefits - California's College Access Credit

Reminder: this tax benefit has been extended into 2017 and can be used to reduce taxes below tentative minimum tax.

The College Access Credit allows individuals and businesses to claim a California tax credit equal to 50% of cash contributed to the College Access Tax Credit Fund. The fund bolsters the dwindling money currently available to provide Cal Grants to low-income students. Not only can donors claim a California tax credit for 50% of their donation but they may also claim 100% charitable deduction as part of their itemized deductions on their federal tax return. In order to claim the credit on your 2016 tax return, the taxpayer must apply for a credit allocation reservation by contacting the California Education Facilities Authority before December 31, 2016. www.treasurer.ca.gov/cefa/catc