

This is the third year I've volunteered for the IRS' program called VITA TCE, which I have described in previous essays. Here are this year's stories, in no particular order of importance.

I actually didn't prepare this client's tax return, but was doing a Quality Review. (It is standard operating procedure in the VITA program, that a tax return be checked by a second, certified preparer.) The client was a hard working fellow, with a full time job and a cleaning service at night. Since the latter is a business, he is subject to self employment tax, which is essentially social security and medicare (7.65%) that is normally contributed by an employer. Here's the kicker - he had no taxes withheld for the business so he owed the Feds big time. He also hadn't filed for 2014, when he had a banner year in his business. Technically, we could have refused to work on his return. The guideline for our clientele is income not exceeding the \$54K U.S. median. But if we are not backed up, we usually don't turn anyone away.

I kept asking for his expenses so they could be deducted. It was like pulling teeth. How far is your house from your cleaning clients? He kept saying half an hour to an hour. I said I need the miles. The IRS doesn't care about the time. We finally estimated 20 miles round trip average to reach various clients. The deduction is now 57.5 cents a mile so it adds up. He had a list of expenses, including household. I said the IRS doesn't care about that either. We finally worked out a figure to use for his supplies. Bottom line, I was able to reduce his 2015 tax liability by several thousand, but he still owed.

For his 2014 return, his total tax was into five figures, having had no withholding taken. Again, he hadn't included his expenses, which would have reduced taxes significantly. I kept asking for records, estimates for supplies, etc. He said he had bought new equipment too. Doesn't remember every cost, don't know where the receipts are. I finally recommended to him that he not file until he could reconstruct his expenses. He could come back and we'll update the return. If he doesn't, he writes a big check to Uncle, or work out an installment, and pay a fine. He had exactly one month.

Speaking of self employed people, one group that almost always fall into this category are caregivers and home health aides. An analogy would be Uber drivers, who were recently confirmed as contractors and not employees. No, I haven't run across Uber, or Lyft, drivers. The health aides are paid as independent contractors, paying the self employment tax and assorted expenses. The good news is that they are able to deduct their expenses. The bad news is that not everyone keeps track of their expenses - transportation, uniform, insurance, etc.

Maybe in addition to volunteer tax preparation, I can start a free bookkeeping class for some of these folks. I've gotten a few self employed people or full time employed with side businesses. An Excel spreadsheet will do wonders.

On a light hearted note, a client comes in, with a fairly straight forward tax return. I didn't recognize the name of the company, so I asked. They were the manufacturers of Gorilla Glue. I told the client that their product is always in my toolbox. After preparing his tax return, he offered

to return and bring me a box of Gorilla Glue products. I said we are not allowed to accept gratuities and for all I know, he may have been an IRS agent checking us out. (As part of the program, the IRS will send out an agent to check our ethics and competence.) We both had a laugh.

There was a student of North African heritage, working several jobs and going to UC full time. He got the full American Opportunity Credit. He told me there were quite a few of his compatriots in the area. I do remember doing a tax return for a couple in Fairfield. My first question after doing the tax return was about the location of a good restaurant for his country's traditional dishes. He said there was one in the Clifton area but he wouldn't recommend it as authentic. Did you know most educated North Africans (Algeria, Morocco, Tunisia) speak French? I never knew that.

The client was a Middle Eastern family, a couple with a college age son. The Americanized son, a university student, was translating. The mother wore a black *abaya*. I demonstrated my vast knowledge of Arabic with *salaam aleikum*. The father was working but because of his modest income and son in college, we were able to claim a couple of credits. He was getting a nice refund. The guy grabbed my hand and was ready to kiss it. I yanked it back but we had a hug.

A young guy came in with a bunch of W-2's. He was taking every job he could get, but was handicapped by his lack of a GED. He qualified for an Earned Income Tax Credit. He wanted to hug too, but with his rather disheveled condition, I declined. I should have told him to get a haircut, take a shower, shave and wash his jeans. Maybe he can land that permanent job then. I thought I established a record the other day, having a client with 7 W-2's. Then another volunteer informed me of a client who had 10. That is ten different employers in one year, all of them temporary.

Another volunteer and I were invited to help with taxes at the Federal courthouse in downtown Cincinnati. We would be doing returns for former Federal prisoners now on probation. We were joking around about who we'd get, stock brokers, Ponzi schemers, Bernie Madoff type, etc. Maybe we could pick up a few insider stock tips. I thought it would be interesting. Alas, we didn't get any such types. They were young men who didn't appear to be the type involved in white collar crimes. What they had been in for, we didn't dare ask. But we got an inside glimpse of the building, which used to be the Post Office. It was beautiful, well preserved, with brass framed teller windows lining the wide hallway. Oh, we had to pass through a metal detector, luggage inspection, wand, etc. to enter. No body scanner, yet. I remarked to the security officer that it was like the airport. In good spirits, he retorted that they didn't require a ticket. I imagine that if you were in a Federal jury, you'd have to undergo this every day.

Do you know what FNU means? This happened to another preparer. Some countries, such as Afghanistan and Iraq, have a custom of sometimes using only one name. This client had only one name, which the preparer entered. His tax return was rejected. So our intrepid tax

preparers figured it out, using FNU as the first name, and it worked. That means First Name Unknown.

Here is an inspiring story. This guy was an Air Force veteran in his 50s, getting disability income and working part time. It was obvious he had physical impairment. It didn't stop him from having a job in IT and working on his degree. We were able to claim an American Opportunity credit.

## Senior Stories:

A frail looking couple walks in, literally leaning on each other, both walking with a cane. They were in their late 70s. Like a lot of married seniors, they had a good income, with social security and pension distributions. They had tons of deductions, which I dutifully classified, totaled and recorded. They "tithed" more than 10% of their income to a church. I wonder if the pastor or preacher ever visited this couple or asked how they were doing. Their medical bills were nearly 25% of their gross income. I see quite a few of this type of situation, elderly people giving a chunk to their church. Perhaps they are giving out of faith, but I have an uneasy feeling about it. More often than not, those who tithe are typically elderly.

This client is a retiree from a large company with a major presence in Cincinnati. He trained as a machinist right out of high school. This is the generation who could get a well paying job, on the pathway to middle class, without any college degree. Sadly, this pathway is gone from the American scene. Like other elderly clients with significant assets, he had a lot of transactions reported by his financial institution. Who initiated these transactions, the client themselves, or their brokers? If not initiated by the client, was it done with their knowledge and consent? The practice of brokers performing numerous transactions is referred to as "churning," the objective of which is to generate commissions.

This couple's return is one of the more interesting I've seen, since it involved royalties. If you have substantial land (100 acres would do) in a mineral producing area, you get royalties from any oil, gas, coal, gravel, sand, etc. that is taken from your property. There is another 1040 page used to report this (Schedule E if you're interested). The couple was in their early 80s, very well dressed. He wore wingtip shoes, a rarity among the clientele we serve. I could see myself in a reverse role, they asked me to repeat everything I asked, something I often have to do with others. (We should have compared hearing aid brands and which batteries lasted longer.) The gentleman said he prepared his own tax return the year before, by hand. With his somewhat complicated return, I wonder how he did it without a computer. They dumped documents on me, which I had to unravel. He had separated the copies from each 1099 distribution, then made duplicate copies on top of that, mixing them all up. It was a mess. It took me a while to sort it out. I finally asked him, for future tax returns, not to tear the 1099 apart or even make copies. Just bring the original! Then we had to work on their itemized deductions. Using a pencil, he had summarized their medical and various expenses in a separate notebook. This was the longest I took for a single return this year. My parting words were that I finally got to meet an oil and gas tycoon.

## **Tales of the Tax Man, 2016**

This particular case was difficult, indicating the limits of our ability, as volunteers, to help. A single elderly woman handed me her broker's 1099, the statement summarizing dividends, interest, transactions, etc. There was a very significant transaction reported as gross receipts. But no cost basis was reported. Neither was it indicated whether it was long term or short term, which affects the tax rate. If we reported the gross receipts without a basis, then it would all be profit. With nothing withheld for taxes by the broker, her tax would be horrendous. All I could do was ask her to contact her broker. As I mentioned in another paragraph, here was another senior with a lot of broker transactions.

Last but not least:

A lot of young male workers are declining to purchase health insurance, taking their chances and having to pay a fine of more than \$600. (This fine will increase to over \$1000 next year.) We need these young and healthy workers to be in the system, to offset some of the new ObamaCare enrollees, who tend to need more medical care.

Mario E. Orosa

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