

Harry Garmon

From: David H. Creasy, CPA <david@creasyctparichmond.com>
Sent: Tuesday, June 23, 2015 2:02 PM
To: Harry Garmon
Subject: Cybercrime and Tax Reform

The Creasy Report



David H Creasy, CPA

Business and Personal Tax Solutions



Businesses



Fiduciary & Estate



Individuals

JUNE 2015

Dear Harry,

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The Creasy Report is a monthly accounting and finance newsletter for individuals, small/mid-size businesses and not-for-profit entities. Our objective is to deliver helpful, topical information that will save you time and money navigating the shoals of IRS requirements and sound financial management.

This month we'll offer some positive hope to small business owners and an identity theft update to individual taxpayers. The first describes efforts by the American Institute of Certified Public Accountants to simplify small business income tax regs. The latter summarizes the IRS attempts to battle identity theft.

[IRS Website](#)

We'll be respectful of your time with short articles and tips plus provide links to resources that provide more in-depth analysis.

Your comments and suggestions to increase the value of the newsletter are encouraged. I promise to review each and every submission and respond promptly.

Sincerely,

David Cressy

P.S. Feel free to forward this newsletter to anyone you think might find it useful.



TAX REFORM: ENSURING THAT MAIN STREET ISN'T LEFT BEHIND

Word Count: 542
Reading Time: 2.2 minutes

Good news! The American Institute of Certified Public Accountants is standing up for small business. Specifically, the AICPA (the world's largest member association representing the accounting profession) has submitted a Statement to the U.S. House of Representatives Committee on Small Business detailing proposed simplification of small business income tax regulations.



Historically, the AICPA has been an advocate for an efficient and effective tax system. The key elements of such a tax system include an understanding by taxpayers of their tax obligations, have minimal compliance costs, stimulate economic growth and employ streamlined administration.

The AICPA Statement to the Committee calls attention to the proliferation of new income tax provisions over the last 40 years. Consequences have been negative for taxpayers, tax advisers and the IRS. Further, the AICPA urges tax reform simplification to significantly reduce taxpayers' compliance costs, encourage voluntary compliance and strip away much of the administrative complexity at the IRS end.



In the Statement, the AICPA focuses on eight key tax reform issues. You may review each of the items in more detail by clicking [here](#) for the entire text of the statement.

[CLICK HERE FOR ARTICLE](#)

Here is a brief rundown on the issues including a description of the deficiencies. Clearly, the AICPA Statement offers solutions, not just critical commentary.

Cash Method of Accounting

The AICPA opposes limiting the use of the cash method of accounting for service businesses. Reasons: increased administrative burden; stifled business growth; financial hardship on cash-strapped businesses.

Tangible Property Regulations

The AICPA recommends increasing the de minimis safe harbor threshold from its current \$500 to \$2,500. That means taxpayers may choose to expense items up to \$2,500 rather than treat them as capitalized.

Civil Tax Penalties

The current state of civil tax penalties are described as often, "overbroad, vaguely defined and imposing disproportionate penalties." That is in contrast to "targeted, proportionate penalties that clearly articulate standards of behavior and that are administered in an even-handed and reasonable manner."

Permanence of Tax Legislation

Accuracy in long-term tax, cash-flow or financial planning is dependent on anticipated longevity in changes in tax law. Permanence is often absent, thereby limiting businesses to plan, invest, grow, expand and hire additional workers.

Retirement Plans

Small businesses seeking to adopt and/or operate a qualified retirement plan are faced with an overwhelming variety of rules. Simplification in the operation of retirement plans is critical.

Alternative Minimum Tax Repeal

Currently, taxpayers are required to compute their income for both the regular income tax as well as the AMT. Small businesses suffer since they often don't know whether they are subject to AMT until they file their taxes.

Tax Return Due Date Simplification

Both tax preparers and taxpayers are faced with inefficient timelines of tax return due dates. That means it is difficult, if not impossible to file a timely, accurate return.

IRS Taxpayer Assistance

The IRS spends a significantly lower percentage of its budget on taxpayer services than in past years. That results in unacceptably deficient taxpayer assistance.

Congressional adoption of any of the AICPA tax reform simplification recommendations will reduce taxpayers' compliance costs, encourage voluntary compliance and strip away much of the administrative complexity at the IRS end. Adoption of many or all will significantly do so.

IRS ESTABLISHES CYBERCRIME UNIT

Mission: Combat Identity Theft

Identity theft-related tax fraud escalates at an alarming rate. Individuals are targeted via phishing. Huge data breaches are being endured by businesses as diverse as payroll companies and health insurers. And increasingly there is an international involvement by hackers from a variety of different countries, often with connections to organized crime.



These attacks have prompted the IRS to form a cyber crimes unit within its Criminal Investigations (CI) division. Initially the new unit will be based in Washington with a crew of a dozen dedicated agents.

In describing both the scope of the problem and the solution, the head of the IRS CI division, Richard Weber is quoted as saying the following:

In fiscal year 2014, IRS CI conducted 1,063 investigations related to identity theft.

IRS CI dedicates an average of 18% of their time on ID theft.

Probably hundreds of millions of records have been breached.

Hackers use the breached data to pose as the victim and submit tax returns to the IRS, collecting refunds.

Connections to Nigeria, Russia, Latvia, Bulgaria and Romania yields about \$26 million in criminal profits.

The good news is that a concerted effort is being made to halt the advances of cybercrime. The less than good news is that budget cuts will hamper expansion of the cybercrime unit. The IRS CI unit has approximately 2,500 special agents ... down from 3,300 a few years ago.

So the lesson for U.S. taxpayers and data storage facilities ... be aware and diligent in protecting your privacy and security.

CREASY SERVICES

IRS Representation

Both businesses and individuals may be faced with the need for tax relief from their IRS debt. The IRS recognizes that every taxpayer is entitled to representation. Getting someone who knows the system to fight for you can be the winning strategy to protect your assets and lifestyle.



I am authorized to practice before the IRS and thereby provide professional representation to businesses and/or individuals in need.

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