

X-Mailer: QUALCOMM Windows Eudora Version 7.1.0.9  
Date: Tue, 18 Sep 2007 14:21:27 -0600  
To: dkaufmann@kaufmann-cpa.com  
From: Dave Kaufmann <dkaufmann@kaufmann-cpa.com>  
Subject: Tax & Finance Newsletter  
X-Spam: [F=0.2370058016; heur=0.961(5500); stat=0.010; spamtraq-heur=0.550(2007082706)]  
X-MAIL-FROM: <dkaufmann@kaufmann-cpa.com>  
X-SOURCE-IP: [63.231.195.115]  
X-SF-Loop: 1

## RISK OF AUDIT (IRS EXAMINATION)

Based on 2006 IRS figures, sole proprietors (Schedule C filers) are 10 times more likely to be examined by the IRS than are S Corporations or partnerships. I am not suggesting that everyone that files a Schedule C should convert to S Corporations or partnerships. S Corporations and partnerships require more expensive tax preparation. S Corporations usually require some payroll recordkeeping. Under the right circumstances, S Corporations might be used to reduce Social Security and Medicare taxes.

Warning: Congress is considering eliminating S Corporation's ability to reduce Social Security and Medicare taxes.

While talking about IRS Examinations, the IRS has announced that, starting next month, they intend to examine 13,000 individual returns randomly. This is in addition to their normal audit program that is based on the highest likelihood of finding unpaid tax.

## IDENTITY THEFT ISSUES

### Security Freezes:

Residents of Colorado, as well as some other states, can put a security freeze on their credit reports. This can stop an identity thief from using your credit. This should be used carefully since it can also stop you from obtaining credit. There is a fee for lifting your credit freeze. For more information see <http://www.consumersunion.org/pdf/security/securityCO.pdf>.

### IRS Email Scam:

There is a "phishing" SPAM going around that appears to be an email from the IRS. This is an offer that you will receive \$80 to fill out a survey. Don't respond to that! It is not from the IRS. The IRS does not (yet) send out email. If you respond, you will become a victim of identity theft.

### Passwords:

Don't have a password list that can be easily figured out! Give me a call [720-493-4804], and I will tell you a trick to create a password list that only you can figure out. Keep a copy of your password list in your safe deposit box with a description of how to "decode" that password list.

## LEGAL DOCUMENTS

I recommend that all adults should sign a "General Durable Power of Attorney". This document gives someone that you trust the authority to make decisions in your behalf if you are unable to. If you don't have such a document and you become disabled, time and legal fees will be wasted.

As a CPA, I cannot draft a "General Durable Power of Attorney". Either have your attorney draft the form(s), or call me [720-493-4804], and I will recommend an attorney.

## MONEY AND INVESTMENT INFORMATION

My thoughts on Money & Investing, including the so called "Credit Crunch", are on my blog at <http://money-investing.blogspot.com/>.

Dave

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