

WHO IS TAKING ADVANTAGE OF THE ELDERLY?

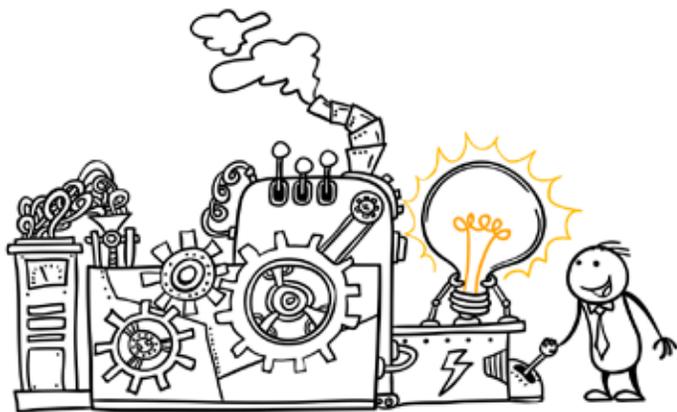
SCOUNDRELS AND PUBLIC SERVANTS

I like to prepare my own income tax return. I am not sure why. My first full-time job was as a tax editor. It wasn't a good match. I sat in a cubicle and summarized long and tedious cases all day long. It felt like a work release program in reverse and the Warden was the IRS.

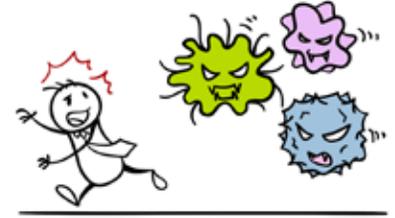


My second full-time job involved understanding tax law. Understanding tax law is not easy and I suspect that at some point I would have left my second full-time job mid-career if the "PC" (a Commodore) had not arrived.

The PC matched my personality. Buy a program and do a tax return. Simple. In those days programming was complex but the tax laws were less complex. If the computer code is good, the tax return tells all. Prose and math and the collision of semantics often is not helpful in understanding tax consequences. "If you convert



your IRA you may go into a new bracket." Sounds ominous. Many people think that going into a new bracket will expose all the income to the new, higher, bracket. Not so...just newer income to the higher bracket....



but what about all those other adjustments that relate to income? Frightful.

Just enter the numbers into your tax program and see the results and then make your decision. So simple! Then the tax laws and regulations, as we say in my youth, went bonkers. And perhaps the underfunded IRS went bonkers as well.

A few years ago, before my symptoms of paranoia had started to emerge, I started to see a change. It was April 14th and I headed to the post office to file my tax return. A colleague says: "Get a 'Return and Receipt'". I said, "Why..... the envelope will show the posting date?" She said, "Get it". I took her advice. A month later I received a late filing fee. They must have lost my envelope! But I had the evidence and the problem was resolved.

Then, tax information forms started to change. The 1099-B started reporting cost basis on sales for some, but not all sales. Health Savings Accounts became more complex. Retirement benefit reporting became more complex. Nonetheless, I was still confident that

I could stay ahead of the changes in the tax laws and the resulting complexities. Then I got caught! A big



deficiency bill with big penalties arrived. For the first time, I

felt fear. Maybe if I were younger I would simply say “calm down...it’s not like the four foot putt to win the game for your team...and you three-putted”.

I had moved my IRA from one account to another and my Trustee, the Trust Company of Vermont, sent me a 1099R. I don’t fault the Trust Company of Vermont but sometimes I wonder whether they should have told me “You better report this or you will go to jail”.

I didn’t report it. Now in my defense, there was a “G” code on the 1099R that told the IRS that it was a non-taxable rollover. So the resolution was in my favor and I learned something important in dealing with the public servants at the IRS: FEAR.

I know the IRS staff wants to be good public servants, and I can understand the stress of being underfunded while dealing with Trolls who are stealing social security numbers and filing tax returns asking for refunds.

Fear is the weapon of those who will try to steal your money; thieves who call the so-called “elderly” pretending to be from “THE IRS” demanding money.



The IRS does not call. They only send deficiency notices. We have not yet experienced a phony tax deficiency letter with a number to call. If you do receive one and call the

number, and someone answers within a few minutes, it is probably a scam. When you call the IRS, the minimum wait will be approximately 45 minutes...and then they might transfer you to another department and you will wait another 45 minutes...or, if they are too busy, they will simply disconnect you with a message that says for you to call later.



It seems like deficiency notices are growing at an accelerated pace. A client sold their house at a loss. The broker sent a tax notice and the IRS sent a letter claiming approximately \$100,000 in tax and penalties. We have a growing list of stories like this. Sometimes the party that sent a tax notice prepared the notice incorrectly. Sometimes the IRS made the mistake. Often no taxes and penalties are due, but the notice and the process of dealing with the IRS prematurely ages our clients.

We also have a growing concern that the State of Vermont may not be far behind the IRS. Recently one of our clients, active and healthy, discovered that the executor of her estate received a letter from the Vermont



Department of Taxes telling the executor that she died in 2011. Fortunately, it is easier to deal with the State and, in this case, the client felt comfort in her diagnosis rather than the State’s assessment.

We need to protect the “elderly”. So to the IRS, I say you need to do a better job of protecting the “elderly”

lest they simply send you the money once they receive the delinquency letter from you. I know you mean well and when we are able to talk to a person, we know your pain. You have wardens too.



Whether you consider yourself “elderly” or like many of us folks who simply feel fear regardless of age, share the pain quickly. If you do get a notice, don’t worry. Just call your accountant or tax

preparer, or call us. I, for one, am not afraid of the IRS.

John Doe

P.S. As I was adding the finishing touches to this newsletter, one of our trust officers was unavailable. She just received a tax deficiency tax letter asking for approximately \$34,000. The IRS once again was wrong. She aged another year nonetheless.



“The I.R.S. can’t hurt him anymore.”

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When and How to Deal with Your Public Servants at the Social Security Office

Software is still the best solution in making the right decision in electing Social Security. If married, the Social Security elections are very complex....and should be considered well before either spouse turns 62. It is mind-boggling and good software is essential. Here are your options of when to take benefits based on the ages:

62/62
62/66
62/70 + Spouse Spousal
66/62
66/66
66/70 + Spouse Spousal
70/62
70/62 + Primary Spousal
70/66
70/66 + Primary Spousal
70/70
70/70 + Primary Spousal
70/70 + Spouse Spousal

The right decision may depend on such things as a “restricted application” for a spousal benefit, “claiming and suspending” a benefit to make a spouse entitled to a spousal benefit on the other spouse’s work record, and modeling future “survivor benefits” based on an assumed year of death of one spouse.

Our recommendation to our clients:

First and foremost: we can run the software for you. Then we suggest that you take the projections into the Social Security office (do not call them). Do not use the Social Security website. Just visit with a public servant in person and they will take care of you.