



Tax Matters

connecting and informing employees

OFFICE OF INCOME TAXATION
COMMUNICATIONS & TRAINING BRANCH

Spring 2013

Tax Preparer Regulations

There has been an update to an issue we told you about during our 2012 Income Tax Update School. At that time, we told you that the IRS was trying to regulate who can prepare taxes professionally by rolling out its taxpayer registration and oversight program. The IRS had been gradually instituting this regulation since 2010 and, to date, around 700,000 preparers have applied for an identification number. Among the registrants are CPAs (212,000+/-), Enrolled Agents (EAs) (42,000+/-) and tax attorneys (31,000+/-)

The remaining registered tax preparers are those independent professionals that the IRS wants to regulate through testing and continuing education requirements who would earn the Registered Tax Return Preparer (RTRP) designation.

RTRP requirements are **not** applied to CPAs, EAs or tax attorneys. Those professionals are exempted because certification and continuing education standards within their professional organizations have fulfilled these requirements.

However, there was a legal snag in the implementation of this program.

Three independent tax professionals filed suit (*Loving v. IRS*) in March 2012 against the IRS regulation effort, challenging the agency's authority to license them.

In January 2013, the U.S. District Court for the District of Columbia ruled for the tax professionals and issued an injunction against IRS enforcement of its preparer regulation program.

The court quickly modified its order to clarify that the preparer tax identification number (PTIN) requirement is allowed to continue, but IRS testing was put on hold.

The latest word from the IRS came March 28: "We remain confident in our legal authority and remain committed to protecting taxpayers through implementing reasonable standards in this area. Our appeal of the original district court opinion is being actively pursued."

But just in case the IRS loses in court, lawmakers are covering the bases too. Senators are exploring tax reform options that would give the IRS clear statutory authority to regulate tax preparers. On the House side, the Taxpayer Protection

and Preparer Fraud Prevention Act of 2013 would do the same.

A key claim in the *Loving* case is that the IRS does not have the authority to regulate tax professionals. Both the House and Senate would make that ability clear.

In the meantime, we wait for the *Loving* case to work its way through the legal system and the Congressional proposals to be, if needed, considered. Hopefully this will finally bring some clarification on the IRS's ability to regulate professional tax preparers.

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"Energy and persistence conquer all things." —Benjamin Franklin  
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CSI

communicating significant information

4 Money Traps of Blended Families

The financial entanglements that can come from remarriage can turn once-simple issues into potential landmines.

Blended families are on the rise -- and so are the pitfalls that can come with mixing family and money.

Arguing over how much to spend on different children or feeling frustrated by an ex-spouse's financial role are common issues for the 65 percent of remarriages that involve children from a previous marriage, according to the National Stepfamily Resource Center.

Forewarned is forearmed. Blended families can use some expert advice to prepare for the financial challenges that lie ahead. Here's what the experts advise:

Child support

One of the most contentious issues facing blended families is child support. According to the U.S. Census Bureau's latest statistics, roughly \$35 billion in child support went unpaid in 2009. The average due to dependent children was \$5,960 annually, yet only



61 percent of that money was actually paid. Custodial parents who receive child support get only about \$300 per month on average. Parents initially see child support as a fixed number that never goes down and may actually go up. The downturn in the economy has left many parents who owe support either unemployed or making less, which can alter the lifestyles of everyone involved. "Their financial situation deteriorates after the divorce, and if they seek a support modification, the custodial parent (along with the new stepparent) has to find a way to make up the lost dollars . . . and that can cause a lot of resentment between ex-spouses as well as relationship and financial stress for new spouses."

Financial aid

Blended families applying for college aid often run into major obstacles. "It gets tricky very quickly," "Children from blended families are oftentimes less likely to go to college and graduate because they are used as a weapon to hurt the other parent," he says. Marital status and residency, as well as whether a public or private college is being considered, can dramatically increase the complexity of financial aid calculations.

Many parents are caught by surprise because they don't know how the process works. For example, the custodial parent has remarried, the stepparent's income will be included in the calculation, which can reduce the amount of federal aid a child receives. (However), an unmarried custodial parent may in fact be eligible for a larger amount of federal aid."

In selecting one of the 250 schools that require the noncustodial parent

to complete a “profile form” can be a major challenge for blended families. Some noncustodial parents are unwilling to cooperate for fear that divulging information about their income may prompt an ex-spouse to seek more support.

Estates and inheritance

Blended families must take extra precautions to do proper estate planning. “It’s easy to accidentally disinherit your children. A family cottage or prized asset can easily make its way from one family’s hands into another’s if beneficiary designations and trusts aren’t well documented and kept up to date.”

Bud Hebel, the founder of AnalyzeNow.com, suggests using a qualified terminal interest in property, or QTIP, and other trust documents to protect your children and assets. A QTIP trust can allow a stepparent to use an asset such as a home during his or her lifetime, but upon death, the asset passes on to the biological children instead of the stepparent’s family.

“A friend’s second marriage ended in divorce,” Hebel recounts, “And her second husband would have left with everything had the right estate planning not been put in place.”

Hebel offers this advice to those considering remarriage: “Tabulate and document individual assets and values before the wedding. It can go a long way to protect yourself and your family if things don’t work out and property needs to be split back up.”

Holidays and family traditions

Every year, many blended families run into the problem of figuring out how to visit multiple households on Thanksgiving, Christmas and other holidays. Holidays and family traditions, such as annual Labor Day reunions, often go out the window when you begin blending families.

“The holidays are supposed to be perfect, with lots of time spent together . . . but it’s not always possible based on visitation times and blended family finances.

Holiday visits can also be a perfect setup for sibling rivalries and relationship stress. Whether because a grandparent won’t accept the new family and buys more presents for some kids than for others, or because an ex-spouse lavishes a child with presents to win affection, the holidays can quickly become anything but a season of cheer. “Sometimes there just isn’t any flexibility, so blended family parents have to release old expectations and traditions and focus on creating new ones based on the things in their control: their attitude and emotions,” says Gresham.

Planning can put problems to rest

If the major financial landmines faced by blended families aren’t addressed, children are likely to witness more fights and arguments about money. Poor planning can also result in resentment among biological parents, stepparents and siblings.

By preparing for these situations and understanding that the life of a blended family may be more complicated than that of a traditional family, parents can avoid some of the major pitfalls associated with blending family and money. And doing so can help ensure that the children don’t lose out.



FYI

for your information

16 Fun Facts about Spring

1. We've all heard the term 'vernal equinox'. Vernal means 'spring' and equinox means 'equal night'. Both words are from Latin.
2. Despite the term, the day when there are 12 equal hours of daylight and darkness usually happens before the first day of spring.
3. The first day of spring in the southern hemisphere is the date of the autumnal equinox in the northern hemisphere, usually in September.
4. Benjamin Franklin was the first American to propose Daylight Saving Time in 1784. However, it wasn't fully implemented in the US until after the WW.
5. The practice of starting Daylight Saving Time on the second Sunday in March started in 2005.
6. Daylight Saving Time starts and ends at different times around the world.
7. In Europe, Daylight Saving Time is known as Summer Time.
8. The reason that there's more daylight during spring is that the earth's axis tilts towards the sun at this time of year.
9. Some of the plants that have strong associations with spring include dandelions, daffodils, lilies, primroses, hyacinths, tulips, azaleas, iris and lilacs.
10. Dandelions originated in Asia.
11. Several singers have sung about spring including Van Morrison (Celtic Spring), Billie Holiday (Some Other Spring) and Frank Sinatra (Suddenly it's Spring).
12. Animals and insects associated with spring include the rabbit, frog, deer, fox, bear, bee, butterfly, ladybug and hummingbird.
13. Spring fever is not just a myth—the body may experience physiological changes due to changes in diet, hormone production and temperature.
14. Melting snow and additional rain may cause more flooding in spring.
15. Children grow faster in spring.
16. Spring is when birds return home after migrating in winter. About 1800 bird species migrate.



Inexpensive Springtime Activities for Families



Springtime activities abound for those who are interested and know where to look. On the other hand, there are all kinds of great springtime activities that you can enjoy with your friends and family that do not require vast reserves of money in order to enjoy. In fact, some of the greatest springtime activities cost very little indeed.

My youngest child enjoys being outside for the simple sake of being outside. The world is a vast and fascinating place to her little mind and springtime activities offer her the perfect opportunity to explore many of those wonderful sites, sounds, smells, colors, and textures. More importantly, it allows mommy to be nearby making sure that none of those things being explored pose a risk to her curious little hands, mind, or body.

Great Low Cost Springtime Activities

1) Blowing bubbles. This can cost as little as a bottle of bubbles or as much as one of the bubble blowing machines (a tool that is meant to delight by the way). There are very few springtime activities that can top chasing bubbles around the yard in hopes of capturing those oh so elusive and very fragile moments of joy within your tiny fingers. The only thing comes close is watching

your favorite bubble chaser at the task.

2) Flying kites. This is one time a year when being told to go fly a kite may very well not be an insult. If you need a great way to spend an afternoon and keep your little ones occupied and fascinated. This is another of the many springtime activities that are sure to please.

3) Riding bicycles. There are beautiful bike trails in the country. It provides a great excuse to go out as a family and ride bikes across the countryside. Fortunately, you do not need an extensive bike trail in order to partake in this most enjoyable of springtime activities. The inexpensive part of this particular activity assumes you have a bicycle of your very own already; otherwise the price of starting out can be slightly prohibitive. You should carefully weigh the value to your family before choosing to pursue this particular activity.

4) Barbecuing. This is a favorite of all springtime activities. It isn't too warm to sit outside comfortably and enjoy a meal and the bugs aren't out in full force just yet either. This is the time of year to barbecue with the family.

5) Stargazing. While a pricey telescope is nice, there is really no need on a clear spring night.

You can gaze at the stars, view the constellations, and simply enjoy being outdoors with those you love most. This is perhaps the greatest thing about springtime activities—they tend to bring us closer to those we love.

As you can see, there are many great inexpensive springtime activities that do not require crushing the piggy bank. Laughter and togetherness are often free and are most definitely the greatest gifts in life that we give ourselves. I hope you will take the time to smell some flowers, make some necklaces and neckties, and give them to that special little one that lights up your life.

“If we had no winter, the spring would not be so pleasant; if we did not sometimes taste of adversity, prosperity would not be so welcome.”

— Anne Bradstreet



WorkWise

Money matters

Savings Tips

The road to financial security is paved with the money you save. We all want financial security, but too often we put off starting to save. We think there's too much we need to learn first, or that we can't really afford to save, or we just don't have the time to think about it.

Think of saving money the same way you think of paying a bill. Pay it every month, only send the check to *yourself*. Read these useful tips and then follow **Your To-Do List**. You'll be a saver in no time.

Tip #1: Pay yourself first.

Before you pay your bills every month, put some money aside to pay yourself first, even if it's only a few dollars. The easiest way is to save electronically. Simply ask your bank to transfer money from your checking to your savings account automatically. If you get your salary by direct deposit, ask your employer to send part of your paycheck to your savings account.

Tip #2: Avoid debt: spend less than you make.

Look hard at how much money is coming in each month and how much is going out. If you're spending more than you make, you're piling up debt.

Tip #3: Pay down your debt.

If you have a lot of credit card debt, work on reducing it. If you're paying high finance charges on the debt, for a while you may need to put more money toward reducing the debt than into savings. But once your debt is reduced, put the amount you've been paying on the debt into your savings.

Tip #4: Save for the unexpected.

Unexpected costs can be anything from annoying to financially devastating. Your car might break down, the water heater might fail, or you could lose your job. Stash away three to six months' pay as protection against the unexpected before you start saving for other things.

Tip #5: Always include retirement as a savings goal.

Don't postpone saving for retirement until you're well into your career. Saving enough to afford a comfortable retirement is one of the best investments you can make. The earlier you start saving, the longer your money will have to grow, and the faster you'll reach your goal.

Tip #6: If you have a 401(k), use it.

The easiest way to save is to have money taken out of your paycheck before you have a chance to use it. Try to contribute 10 percent of your pay to your 401(k) plan if you have one. If 10 percent is too steep, start a little lower, but bump it up with every pay raise. If your employer will match your contributions, put in at least enough to earn the full match. If you don't have a 401(k) or other plan from your employer, or if you're self-employed, save for retirement in an IRA, SEP, SIMPLE, or one of the many other types of tax-deferred retirement accounts.

Tip #7: Don't postpone saving until you've mastered investing.

You don't have to be an expert on all types of investments before you start saving for your future. If the idea of picking good investments is overwhelming, just focus on the saving part for now. If you're signing up for a 401(k) and you don't feel comfortable making investment choices immediately, you could start out with a balanced fund (generally a mix of stocks, bonds, and cash) or a target date retirement fund. In a target date fund, your contributions are spread across different types of investments based on how many years you are from retirement, with the

mix becoming more conservative as you age. Revisit your 401(k)—how much you are contributing and how your investments are doing, and make adjustments as you learn more about investing. (See AARP’s Tip Sheet on Mutual Funds to learn about the different types.)

Tip #8: If you can’t find money to save, look again.

Review all of your expenses, and be sure to include the “little” things, like restaurant meals or manicures or video rentals, or the cost of parking your car instead of taking the bus to work. Then look hard for places to save. Pack your lunch a few days a week instead of buying it. Use coupons when you shop. Save your loose change. Instead of buying a cup of coffee every day, try making your own. Replace your credit card with a debit card that limits you to

spending what you have rather than borrowing what you don’t. Be creative, and you’ll find ways to save.

Tip #9: Think before you buy.

When you’re about to buy something, stop for a minute and ask yourself if you *really* need it. If you do need it, don’t buy until you’ve done some comparison-shopping. Think about your options.

Tip #10: Set savings goals.

Once you’re in the habit of saving, think about your saving goals—how much you’ll need and how long you have until you’ll need it. The answers to these questions will help you figure out how to invest your money for the best chance of reaching each goal. Remember to *always* include retirement as a savings goal.

There’s no time like the present to start saving. Get going today, and put yourself on a path to financial security.

Your To-Do List:

- If you have access to a 401(k), sign up today.** If you don’t have a 401(k) or similar retirement account at work, open up an Individual Retirement Account (IRA) and contribute to it every year.
- Transfer money from your salary into your savings automatically each month.** Pick an amount you can live with for now, and revisit it once you get used to saving.
- Find ideas for cutting costs** and managing your money at www.aarp.org/money.
- If you need help with debt problems,** contact the National Foundation for Credit Counseling at 1-800-388-2227, or online at www.nfcc.org.
- If you have a small business or are self-employed,** check out retirement savings options in IRS Publication 3998, “Choosing a Retirement Solution for Your Small Business,” at www.irs.gov/pub/irs-pdf/p3998.pdf.
- Order other Money Matters Tips Sheets** to share with friends at www.aarp.org/orderfinancialpubs.

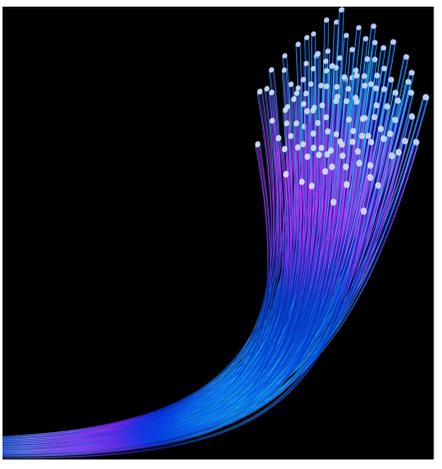
This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

Special thanks to The Actuarial Foundation for their expertise on this project.

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“An optimist is the human personification of spring”.

– Susan J. Bissonette



Five Things You Can Do to Get Your Lawn Ready for Summer

Getting a gorgeous green lawn requires a bit of work, and the owners of the best lawns know that work starts well before summer hits.

Raking and Thatch Removal

Raking and thatch removal are probably the first couple of things you'll do in the spring. In fact, this actually starts in the fall, because ideally you'd have raked your lawn then as well.

Raking isn't just about removing leaves and surface mess from your lawn—it's also one of the best ways to control thatch (the build-up of lawn clippings and other solid waste that collects on top of the soil). For this reason, raking thoroughly and deeply is very important both in the fall and the spring, to help get your lawn ready for summer growth.

In general, a thatch of half an inch or more will need raking. If the thatch on your lawn is less than a quarter inch in depth, you might be better off leaving the deep raking until fall, as a light thatch helps improve the condition of your lawn by holding excess moisture. The exception to this is if you live in a particularly humid climate. Even a relatively thin thatch can end up holding too much moisture and leave your lawn prey to mold.

A thorough spring raking is also a good way of getting reacquainted with your

lawn after the winter break. You'll be able to take stock of its condition, find out if there are any bare or matted patches that need taking care of, and check for pests, mold, or diseases.

Aeration

removing thick layers of thatch from your lawn is important to keep the soil aerated, but if your lawn has been a high-traffic area for several years, thatching might not be enough.

High-traffic lawns will eventually start to decline due to soil compaction, which means that air has been squeezed out of the soil over time. Compacted soil tends to suffer from excessive run-off, and will make a poor root bed for any new grass you want to sow,

There's one very easy-and fun-way to fix this problem, which simply involves walking all over the lawn while wearing spiked shoes. The holes you poke in the soil will aerate it, and your problem is more or less solved.

However, if your lawn is severely compacted this may not be enough. In these cases, you can rent an aeration

machine from your local garden center. This easy-to-operate equipment pulls plugs of earth out of the soil to provide more extensive aeration.

Overseeding.

If "dog spots" or heavy traffic has left your lawn covered in bare patches, you'll need to apply seed to fill in the patchy parts. This technique is known as overseeding, and involves sowing grass seed over the bare patches, along with a slow-release nitrogen fertilizer. Once the grass has germinated, apply a quick-release nitrogen fertilizer for a growth boost.

Note that the grass you sow is going to be competing with the existing lawn for vital nutrients. If you need to overseed, cut your lawn short before doing so, so that the seeds have a good chance to get past existing grass to the soil.

Finally, note that it's usually best to overseed in the fall (due to the problem described in the next section). Sometimes your lawn problem will be too severe to wait, but fall is generally regarded as the best time for it.

Weed Control

If your lawn has an annual problem with weeds or crabgrass, you'll want to hold off on spring fertilization until you've applied pre-emergent herbicides. These herbicides address the weed control issue by preventing seeds from germinating, so that weeds are prevented from sprouting at all.

Note that if you need to overseed your lawn, pre-emergent herbicides may not be an effective option. These herbicides don't distinguish between weed and

grass seeds—they prevent both types of seeds germinating. There are one or two products on the market that allow you to overseed in spring and still use pre-emergent herbicides, depending on the type of grass you have. These include Tupersan, which is compatible with overseeding cool-season grasses.

Spring Fertilization

In the spring, slow-release fertilizer is a great kick-start for your lawn's new growth. You don't want to push the grass to grow if it isn't ready, so it's best to stay

away from quick-release fertilizers, at least initially. This is particularly important if your spring weather is unpredictable, as you don't want a situation where new spring growth is killed by a late frost.

Retest your soil regularly—every few years—to make sure you're applying the right fertilizer for your soil type. When applying fertilizer, make sure you use the right amount for your square footage, and remember that grass growing in the shade will need around half as much as that which is consistently in the sun.

Spring Trivia Quiz and Facts



Test your knowledge of the spring season facts with this interesting spring trivia quiz. There are a total of 12 multiple-choice trivia questions. Answers to the spring trivia may be found at the end of the quiz. Enjoy!

- 1. Which imagery is most associated with the spring season?** a) Blazing sun b) Snow c) Foliage d) Blossoms e) None of these
- 2. The first day of spring is technically called _____.** a) Spring solstice b) Spring equinox c) Either A or B
- 3. Spring months vary according to climate and geographic location. In North America, spring season starts in which calendar month.** a) January b) March c) May d) July e) September
- 4. In many cultures, spring symbolizes _____.** a) Rebirth b) Life c) Death d) Love e) All of these
- 5. Spring is the season of flowers. The Japanese celebrate the arrival of spring by hosting mass viewings of which flower.** a) Peach blossoms b) Tulips c) Sunflowers d) Carnations e) Cherry blossoms
- 6. According to folk legends, certain groundhogs can predict whether or not spring will arrive early in that year. How do they make their predictions?** a) Look for their shadows b) Judge the thickness of the snow c) Find a mate
- 7. In the U.S., schools allow their students to take a short break or vacation for spring. What is the typical length of Spring Break?** a) 3 days b) One week c) Two weeks d) 15 days e) One month
- 8. The start of spring coincides with the postseason of which U.S. organized sport.** a) American football b) Baseball c) Basketball d) College Football e) College basketball
- 9. The term "equinox" is defined as _____.** a) When the sun is furthest from the equator b) When day and night are equal in length c) When Earth's two poles meet
- 10. In the Persian calendar, the first day of spring (or New Year Day) is called _____.** a) Sizdah Bedar b) Nowruz c) Ashura d) Khordad e) None of these
- 11. Which playful bird is often seen as symbolizing the arrival of the spring season?** a) Cuckoo b) Jaybird c) Robin d) Swallow e) Sparrow
- 12. True or False. On the seasonal calendar, spring immediately precedes autumn.**

Answer Key:

1)d 2)b 3)b 4)a 5)e 6)a 7)b 8)e 9)b 10)b 11)d 12)False

Classification:

Expert - more than 10 correct
Intermediate - 8 to 10 correct
Novice - less than 8 correct

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ACKNOWLEDGEMENTS

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