Useful Tax Tips for You and Your Clients
Le Tax Law, PLLC
"Report all your income, file your returns on time, pay any tax due when you file or make a payment arrangement (and then make the payments). Open and read every letter you receive from the IRS, and, if the letter asks for a response, respond within the time requested."
Statute of Limitation are concrete.

Last known address rule.
File your taxes

- Even if you don’t owe money.
  - if you discovered that you did owe money, this will start the SOL for audit.
- If you are expecting a refund
  - There’s an SOL for refund that starts automatically so you don’t lose out on your refund.
- If you are on an OIC or an Installment Agreement, you’ll lose it.
Record Keeping

Paper receipts

Portable scanner
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Choice of entity

An LLC is not a tax classification!
The S-Corp Election Myth

Most tax preparers and less experienced tax professionals will recommend the S-corp election.

Most big 4 and big law attorney and CPAs will recommend Partnership and C-Corps.

There are multiple to factors to consider.
Divorce Agreement Reviews

- Review tax returns for one spouse if the other has a risky tax return.
- Section for taxes, who gets to claim the kids. I would try to aim for every other year.
- Filing as MFS for the year before the divorce finalized
- Indemnification clause.
Capital gains are taxed at a lower rate

- When to sell?
- What to invest in based on your residency status?
- How much percentage of ownership should you own?
- NIIT
Reasonable Wage

Do you need it?

Is that really reasonable?
Preventative Planning

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Tax Questions, Tax Answers!

The Kiddie Tax
International Clients

There are special taxes when the taxpayer is not a US citizen or if the taxpayer wants to invest abroad. It is very important that you advise your client of their reporting obligations:

- BEAT
- GILTI
- Subpart F
- PFIC
- FIRPTA
- FDI
- Transferred pricing
Fraudulent Planning

Not all tax planners are created the same.

- Tax preparers presenting themselves as CPAs, when they are not. In Texas, non-CPAs are not allowed to offer accounting services.
- CPAs going along with the fraud schemes without a thorough understanding tax structuring.
Non-CPAs and attorneys

There's nothing to lose.
The Garza Method


Charitable LLCs

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Be Skeptical

Pigs get fed, hogs get slaughtered.
Be well informed

- It costs more to fix than to do it correctly the first time.
- Get multiple opinions.
- Talk to a planner months in advance.
- Follow Le Tax Law, PLLC on social media.
- Planning is the most important part of tax law. Don’t wait until an audit comes up to talk to a qualified advisor.
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Type of Taxes

- Local/Municipal
- State tax
- Federal Tax
- International Tax
  - FIRPTA
  - new taxes - TCJA

Risks

Offshore reporting

Worldwide filing
The T-Men don't play

- Remember it was the T-man who brought down Al Capone
- Increase to the IRS's budget
- DOJ has been indicting lots of preparers and people with offshore accounts
What's the worst that could happen?

- Penalties & interests
- Liens and Levies
- Credit history
- Jail time
- Deportation or inability to qualify for citizenship
The most convoluted part of our tax system

- language barrier
- our tax system is complicated
- most countries do not tax their citizens the same way we do
- affect individuals and entities
- failure to file starts at $12,000 per account per year
- jail time and deportation are on the table
Foreign bank accounts

Clients who have lived abroad or who is about to live abroad.
FATCA forms

Offshore transactions and accounts - file with your tax return.

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Tax Questions? Tax Answers!
The shady side

- What happens if you have failed to report?
  - If the IRS has found out - criminal attorney
  - If the IRS has not yet found out - 3 ways of approaching it:
    - ODVP
    - Streamline
    - Quiet disclosure
The IRS may not be in Antarctica, but you must still file.

NRA? We do not discriminate

Living Abroad?

Substantial Presence
Living Abroad?
Accidental Citizenship
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Types of Audit

- Correspondence audits - mildest

- Office audits - these are trickier. This is where most individuals will land when the correspondence audit was not resolved.

- Field Audit - you need a litigating attorney. Usually with companies.
Breach of Fiduciary Duties

Legal entities will not protect the taxpayer if there is comingling of funds or a breach of fiduciary duties.

Common scenario is failure to pay self-employment taxes.
31 U.S. Code § 3713

A representative of a person or an estate (except a trustee acting under title 11) paying any part of a debt of the person or estate before paying a claim of the Government is liable to the extent of the payment for unpaid claims of the Government.
Common Arguments

Substance over form and the Step transaction rule are used to combat tax shelter.
You can rat out people and get a portion of what the IRS collects.

Form 3949-A.

Be aware you good evidence.
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