Customized Senior Services to Maintain Lifestyle & Financial Independence

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A Professional Corporation

Specializing in Elder Care, Trusts & Estates, Taxes & Small Business

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Volume 14, Issue 9 September 30, 2019

SEPTEMBER ISSUE

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How to Handle Your Taxes in a Blended Family: Part One

Who gets to claim the kids' tax credits? And when do they age out of the tax equation? This is part one of an article discussing the following hypothetical case.

A and B are about to be married. A has two kids from a previous marriage. B has one child from a previous marriage. They plan to have children together. A receives child support from an ex-spouse. A's mother also lives with them and helps to care for the children. B's only child works in B's business and both A and B hope their joint child(ren) will one day join the business as well. A and B have a lot to discuss!

This family situation may not be too unusual but it does create complicated tax issues. It would be wise for the couple to consult with advisers before the wedding to help prepare for issues that are likely to arise.

In this case, a CPA would want to meet with the family's decision-makers for an initial fact-gathering session. The CPA would then assign homework for them to prepare for a second meeting during which a strategic tax plan would be developed.

The marriage and the blending of the families will impact how tax returns are prepared and the resulting taxes.

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Senior Fraud Prevention: Phone Fraud

Seniors can make easy targets for fraud, whether it's for unbelievable investment returns or fraudulent sweepstakes prizes. Fraud on seniors can happen by phone, mail, in person, or, less commonly, the Internet (because seniors are online in smaller numbers). It can happen to wealthy seniors, and those of limited means. According to the Federal Trade Commission (FTC), studies show con artists are more likely to target senior citizens than other age groups because they believe seniors are more susceptible to such scams. The FTC reports that fraudulent telemarketers direct from 56 to 80% of their calls at seniors. The need for senior fraud prevention has become greater than ever.

Phone Fraud

The National Crime Prevention Council (NCPC) has put together a short guide on senior fraud prevention. The guide features five ways to make unwanted telemarketers go away. Tape it by your loved one's phone and he or she will always have a polite, but firm, comeback for unscrupulous come-ons. (Of course, the best way to get rid of someone you don't want to talk to is to simply hang up.)

Tip #1: Never give personal information, such as bank account or social security numbers, to anyone over the phone, unless you initiated the call and know you've reached the right agency.
Comeback: "I don't give out personal information over the phone. I'll contact the company directly."

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For instance, questions would be asked about the children to see if they qualify as a dependent on either spouse's tax return.

To be claimed as a dependent, a child must be the taxpayer's child, under the age of 19, lived with the taxpayer for more than half of the year, did not provide more than one half of the child's own support, and not be a qualifying child on someone else's tax return. In this scenario, it looks like A's children would meet all of those qualifications. It would be important to know, however, if A's former spouse was claiming each child as a dependent.

If B's child is over 19, the child might still be a qualifying child if in school full-time and under age 24. If that doesn't apply, the child might be considered a qualifying relative if the child lived with the parent all year and the gross income of the child is less than $4,150.

There are a couple of tax credits that may apply to these children if they meet all of the requirements:

- **Child tax credit:** This credit increased to $2,000 from $1,000 per qualifying child for kids under 17 years old. The child must be a dependent of the taxpayer and must have lived with the taxpayer for more than six months of the year. Up to $1,400 of the credit can be refundable for each qualifying child. There are phase-out thresholds on this credit.

- **Other dependent credit:** Dependents who can't be claimed for the child tax credit may still qualify for the new other dependent credit. This is a nonrefundable credit of up to $500 per qualifying person. These dependents may be dependent children over the age of 17 or other qualifying relatives supported by the parent.

In this case study, the child tax credit may apply to A's kids, while the other dependent credit may apply to B's child.

Source: www.mcampbellcpa.com

Please contact our office for more information.†

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Tip #2: Don't believe it if the caller tells you to send money to cover the "handling charge" or to pay taxes.
Comeback: "I shouldn't have to pay for something that's free."

Tip #3: "Limited time offers" shouldn't require you to make a decision on the spot.
Comeback: "I'll think about it and call you back. What's your number?"

Tip #4: Be suspicious of anyone who tells you not to discuss the offer with someone else.
Comeback: "I'll discuss it with my family and friends and get back to you."

Tip #5: If you don't understand all the verbal details, ask for it in writing.
Comeback: "I can't make a decision until I receive written information."

The scammer will most likely keep trying to convince his intended victim, so it's best to hang up after delivering the comeback line.

Practice these comebacks with your loved one. Also, have your loved one tell telemarketers to take his or her name off their call list. If the telemarketers don't, they're breaking the law. Sign up for the National Do Not Call Registry. As a last resort, get your loved one an unlisted phone number.

Source: www.aplaceformom.com

Please contact our office for more information.†

What Our Clients Say About Us

"Marcia has been doing our taxes for years, and we have always been extremely pleased. We will remain her clients to the end." –JS

"Almost every successful person begins with two beliefs: the future can be better than the present, and I have the power to make it so."

~ David Brooks

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