

Financial Fitness Times

k.m.d.

FINANCIAL SERVICES, INC.



Debt Relief & Tax Consequences



Did you know that the Internal Revenue Service considers forgiven or canceled debt as income?

Creditors and debt collectors who agree to accept at least \$600 less than the original balance are required by law to file Form #1099-C “Cancellation of Debt”. If you are having troubles making ends meet, you might feel this doesn’t apply to you. Do not discard any notice from the IRS—as that may put you at risk for audits, penalties and fines for not including the information in your tax return.

What you should do is call your tax practitioner and ask for advice!

Depending on your situation, you may qualify for an exclusion. The exclusions include debt discharged during bankruptcy and debts of consumers who are insolvent prior to the cancellation of the debt (“insolvent” means your liabilities exceed your assets). There are limitations to consider, such as, the exclusion applies only up to the amount by which you are insolvent. That means, if \$6,000 in debts were forgiven and your liabilities exceeded your assets by \$3,000, then only \$3,000 would be excluded as income. The remaining \$3,000 would need to be reported on your Tax Form #1040, Line 21 as “other income”.

Homeowners who default on mortgage loans may also qualify for exclusion of their foreclosures under the Mortgage Forgiveness Debt Relief Act. In addition, there are other exclusions for certain farm debt, student loans and real property business debts.

1st Quarter 2011

Preparing for 2010 Tax Return

- Use a large envelope (9x12) and label as: **“2010 Tax Information”**
- Place all incoming **Tax Documents** in your prepared 2010 Tax Information envelope.
- Make your tax appointment early to get your refund sooner.
- If you have on-line bank statements that need to be printed off...do so...then review your statements for forgotten tax deductions!
- Before you meet with your Tax Practitioner, review last year’s tax return and be sure you have all the information needed to complete this year’s return.

Meet some of our Professional Associates...

- **Do you know how to live WELL within your means ?**

Ask **Kathleen Dolan**, our **Financial Recovery Coach**, to help you create your path.

“Whether for business or personal, when you know why,

where and how your money is being spent, managing your money will become simple.”



- **Retirement NOW, Later or Never ?**

Most Americans have no pension and need to save for their own retirement. The lifestyle we will enjoy in retirement depends on savings options like 401k plans and IRAs and how well we invest them. Are your retirement savings on track?

Lauree Murphy, CFP®, can help you find out.

- **C Corp - S Corp - LLC & other Entities**

Are you getting your best tax advantage with your chosen business entity ?

*Let **Mike Patten**, our seasoned CPA, use his extensive experience in public accounting to show you the tax advantages of reconsidering your entity choice. His specialty is small businesses and start-ups, as well as non-profits.*



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WHAT YOU GET FOR YOUR MONEY

Our Bookkeeping & Accounting Package has been designed for the individual who has end-of-year tax reporting requirements, as well as, quarterly tax estimates.

Each Month You get . . .

- ♣ Bank Balance Reconciled
- ♣ Credit Card Statement Reconciled
- ♣ Document data entry to the “i-count System”
The Profit & Loss Tax Estimator—software product

On the Quarter:

- ◆ Financial Statements— Profit & Loss and a Tax Estimate Report
- ◆ Tax Estimate Voucher for current quarter of year

At the end of the year:

- ♠ Binder with Quarterly Tabs and Financial Reports with complete journals and schedules
- ♠ P&L Tax Program holding full year information
- ♠ IRS Tax Return Form #1040—Sch. C Business Profit & Loss Tax Worksheet—includes the following schedules: Office in Home, Depreciable Assets, Meals & Entertainment & Auto Expense

End of Year Services Available for 2010

- Misc. Income - Form #1099's are due January 31, 2011
- Sales Tax Reports – Current and prior Years
- Be ready for Tax Time - Bookkeeping Services for 2010

Income Tax Preparation

Specializing In: Back Taxes & Recovery from Tax Issues



- Tax Consulting and Planning
- Tax Audits, Tax Issues, Back Taxes
- Preparation of Offers in Compromise
- Payment Arrangements



We are Enrolled Agents

The only nationally licensed tax professionals representing you before the IRS.

ALERT . . .The IRS has not received the *memo* that we have gone paperless!
They are still requiring original documents such as bank statements, sales invoices, copies of deposited checks and much more!

Remember . . .It's all about your Bookkeeper!

**Audits are increasing for the small business taxpayer. Areas the IRS is checking:
Office in Home, Auto Expense and substantiation of taxable income.**

This year, our “i-Count” software product, The Profit & Loss Tax Estimator, was once again put to the test in an IRS Audit. A new client came to us with a challenge. Their small business’s tax return had already been audited for 2007 and 2008. Each audit produced an additional \$10,000 in tax liabilities plus penalties and interest.

For the 2007 and 2008 tax years, the taxpayers had used a popular software product, but felt they “were not experienced enough with bookkeeping to do it right” and the results had not been good. When the Taxpayers received another audit notice - for 2009 - they called KMD and asked us to help. This time the IRS was looking for an additional \$29,805!

We approached the project by collecting all their bank statements, sales receipts, credit card statements and cash paid-outs. We data-entered all the income and expenses to our P&L Tax Estimator software and then filed the entered information into our Audit Ready Filing System. The Audit was a great success! The IRS was more than happy to settle for only \$853 total, **saving the taxpayers a whopping \$28,952!**

DON'T WAIT UNTIL YOU GET AN AUDIT NOTICE

The 2011 Profit & Loss Tax Estimator is available now. It's easy and simple to use and comes with training, coaching and advice on how to make it work best for your company. Even professional bookkeepers have made similar comments when using the software! Know what you'll owe in taxes every quarter rather than paying your tax estimates based on your last years tax return or spending the money to see your tax accountant.

A New Concept in Money Management

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To:

Awareness & Choice

Awareness:

Did you know that your bank debit-card purchases account for an estimated 45% of overdraft fees? The average cost of bouncing a check is \$35.00. That could buy a dinner out, a birthday gift...but it **will not** be tax deductible and **will** harm your credit standing.

Choice:

Keep track of your purchases in your check register, the only difference in entering the information is the check number should indicate "**debit**". This small thing done consistently could save you hundreds of dollars, not to mention the continuance of a good credit standing, as well as peace of mind.

THE MONEY MANAGEMENT PLACE

Home of the "i-Count" Systems™



The place to shop for all your financial needs:

- Money Games and Toys for Kids to Adults
- Books / CD's / Workbooks: Financial - Legal - Self Help - Inspiration - Stocks
- Our "i-Count" Money Management Products for Business; Personal & Teens
- Office Supplies including our "Office in a Box"

Gift Certificates Education Training