

IRS Telephone Scam



There seems to be a new scam or website that has been hacked discussed in the news on a daily basis, but here is one that you should not ignore.

There appears to be a rash of fraudulent calls made, with the callers identifying themselves as representing the U.S. Treasury or the Internal Revenue Service. The Treasury Inspector General for Tax Administration (TIGTA) recently stated that "This is the largest scam of its kind that we have ever seen", with TIGTA receiving over 20,000 reports of contacts and thousands of victims paying over more than \$1,000,000 as a result of the fraudulent telephone calls.

The calls that we have heard about say, in a very threatening manner, that there are taxes owed, and that they must be paid immediately. They will ask for bank account or credit card information in order to facilitate payment. They are very aggressive; some indicating that there is a warrant out for the victim's arrest, or threatening to notify local law enforcement if payment is not made immediately.

This is a very timeworn fraud scheme, attempting to obtain access to individual's bank accounts or charge card accounts in order to then defraud the individual.

FOUR CRITICAL THINGS TO REMEMBER:

1. The Internal Revenue Service will never initiate collection activity by telephone. They will always send out a series of notices by mail.
2. The Internal Revenue Service will not demand payment of a tax liability via a credit card or debit to your bank account.
3. The Internal Revenue Service will never request credit card information over the telephone.
4. The Internal Revenue Service will never threaten to bring in local law enforcement or have you arrested for not paying an outstanding liability.

If you have received one of these fraudulent calls, you may report the call to the Treasury Inspector General for Tax Administration by calling 1-800-366-4484 or at www.tigta.gov.

You can also register a complaint with the Federal Trade Commission at www.FTC.gov. Add "IRS Telephone Scam" to the comments in your complaint.



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Water Buffalo Club Lifts Inner City Kids' Hearts

After 24 years working as a dedicated volunteer, SPS Shareholder Rick Schenkel recently served as MC for a gala celebrating the 25th Anniversary of the Water Buffalo Club (WBC).



The 75-member WBC provides time and financial support to smaller children's charities, as well as hosting events that foster a sense of well-being for underserved children throughout the Los Angeles area.

"Our objective is simple: to help out underprivileged kids and have fun doing it," says Rick, current Treasurer and past President. "Since our inception, we have supported over 180 charitable organizations, literally touching the lives of thousands of Los Angeles County residents."

Let's just say the anniversary bash was a blast. Saturday Night Live alumnus Dana Carvey provided a side-splitting set. Additional entertainment was provided by kids from Get Lit, a leading nonprofit presenter of literary performance, education and teen poetry programs in Southern California. Get Lit's efforts received a WBC donation this year.

That's not to mention the lucky raffle winner, who is taking seven friends on a private Lear Jet to Las Vegas for a night on the town.

The WBC Mission

While there are many benevolent groups across the country, the WBC is one of only a handful that focuses on smaller grantees, with budgets of not more than \$350,000. "We look to fund one-time capital expenditures and generally avoid funding operating budgets," says Rick. "Also, each member of the WBC makes an annual contribution that covers our administrative costs and expenses."

Over the last quarter century, WBC has donated \$3 million to local charities. Gifts include refurbishing nine school libraries, feeding over 15,000 people at Thanksgiving, and sponsoring 10,000 kids to attend events such as a day at Santa Monica Pier, Los Angeles Dodger games and trips to the Observatory.

"One of my favorites is Christmas in July, where we invite 200 inner-city kids to a day of fun at the Santa Monica pier," remarks Rick. "All of our guests go home with lots of gifts and much-needed school supplies."

Here is a partial list of organizations who received grants this year: Falcons Football and Cheer, Better With Books, Hollywood Indies Little League, Slam! and Dream a World of Education.

If you'd like to know how you can become involved with WBC (www.waterbuffaloclub.com) call 310-556-8100.



Information about Employer Reimbursements of Individual Health Insurance Policies

For plan years beginning after 2013, the Affordable Care Act (ACA) institutes so-called market reform provisions that place a whole host of new restrictions on group health plans. The penalty for violating the market reform restrictions is a punitive \$100-per-day, per-employee penalty, or \$36,500 per-employee, per-year. With a limited exception, these new market reform provisions significantly restrict an employer's ability to reimburse employees for premiums paid on individual health insurance policies, referred to as employer payment arrangements.

Employer Payment Arrangements

Under employer payment arrangements, the employer reimburses employees for premiums they pay on their individual health insurance policies (or the employer sometimes pays the premium on behalf of the employee). As long as the employer (1) makes the reimbursement under a medical reimbursement plan and (2) verifies that the reimbursement was spent only for insurance coverage, the premium reimbursement is excludable from the employee's income. These arrangements have long been popular with small

employers who want to offer health insurance but are unwilling or unable to purchase group health coverage.

Unfortunately, with a limited exception, this arrangement is no longer allowed and, if continued, could subject the employer to the penalties mentioned above.

Limited Exception for One-employee Plans.

The market reform provisions do not apply to group health plans that have only one participating employee. Therefore, it is still allowable to provide an employer payment arrangement that covers only one employee. Note, however, that nondiscrimination rules require that essentially all full-time employees must participate in the plan.

Bottom Line: While still technically allowed under the tax code, employer payment arrangements, other than arrangements covering only one employee, are no longer a viable alternative.

Acceptable Alternatives

Because of the ACA market reform requirements, employers are basically precluded from subsidizing

or reimbursing employees for individual health insurance policies where there is more than one employee participating in the plan. Employers can, however, do the any of the following:

- Provide a tax-free fringe benefit by purchasing an ACA-approved employer-sponsored group health plan. Small employers with 50 or fewer employees can provide a group health plan through the SHOP Marketplace. A cafeteria plan can be set up for pretax funding of the employee portion of the premium.
- Increase the employee's taxable wages to provide funds that the employee may use to pay for individual insurance policies. However, the employer cannot require that the funds be used to pay for insurance—it must be the employee's decision to do so (or not). The employer can claim a deduction for the wages paid. The wages are taxable to the employee, but the employee can claim the premiums as an itemized deduction subject to the 10%-of-AGI limit (7.5% if age 65 or older).

SPS, the Cloud and Protecting Client Data

In the last SPS newsletter we discussed ways that we can protect ourselves when using services such as Dropbox "in the cloud".

But how is the cloud being used by SPS? And more importantly, what's our accounting firm doing to protect our sensitive data?

"The way that we use the cloud at SPS is for access to the Client Portal," states David Primes, shareholder and the firm's chief geek. "All documents that are uploaded to the SPS portal or downloaded by our clients are protected from prying eyes."

But what if someone had unauthorized access to the server itself and tried to view all our documents? "Well, they would be very unhappy," states Primes, "because all client data remains encrypted while sitting on the portal too."

SPS has always invested heavily in security ever since remote access via the Internet became commonplace in the late 1970's. Firewalls have always protected the servers that are housed within the SPS premises. Also, substantial password security rules and mandatory password changes throughout the year have been in place for decades. Other measures include all laptop hard drives are encrypted and remote employees transmit all data through a securely hardened communications channel.

David Primes strongly urges all SPS's clients and friends to follow the same

basic security measures that everyone at the firm is required to follow, which include:

- Keep ALL software up to date, especially your operating system (turn on auto updates).
- Run anti-virus, anti malware software weekly.
- NEVER respond to any unexpected or unknown requests for personal information (if you are in the bank and a bank officer asks you such a question, while in front of you, that should be fine).
- Remember that the IRS will never ask you for any personal information in an email.
- Never open any email attachments from anyone you don't know and if an email from a friend appears odd, do not open it and DO NOT click on any links or attachments.

Steve Laff, who wrote this article, is a 25-year SPS client and Principal of the web development firm "A Far Site Better." Steven can be heard nationally on the radio for Fox Business, CBS News and ESPN as an expert on breaking cyber-security, e-commerce, and online technology stories.

Please note that these articles contain general information and are not a complete analysis that you should rely on in making decisions. Our goal is to bring these matters to your attention and suggest that you review your practices. We are here to assist you. These may be difficult issues to address, and you may need to consult with your legal counsel.

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