



Put another candle on our birthday cake

SPS turns 30 this year.

In 1981 Dallas was the number one TV show, Cannonball Run was racing through movie theaters, the space shuttle program saw its maiden voyage, and IBM began selling something called a personal computer. While all this was going on, ten people in Brentwood quietly got together to form Sobul, Primes & Schenkel.

Thirty years later, SPS is going stronger than ever and now boasts 30 employees. And, by the way, four of those original ten people are still on the job!

SPS has stayed at the front of the curve during the startling changes – from technologies to tax codes -- that have transformed the world in the last three decades. The only thing that hasn't changed is our dedication to client needs.

What better way to celebrate than by giving back to the community! Currently some of the partners are involved with the following: Rick Schenkel, Water Buffalo Club; David Primes, Friends of the Observatory; Chris Morris, YMCA and Jeff Cameron with Wildworks (to name a few).

Thank you, everyone, for another happy birthday.



- David M. Primes, CPA.CITP
- Richard J. Schenkel, CPA
- Christopher D. Morris, CPA
- Steven H. Levitt, CPA
- Jeffrey B. Cameron, CPA
- Kyle C. Taylor, CPA
- Stephen S. Sobul, Retired

The wealth squad wants you!

An introduction to the IRS's busy new group

The Global High Wealth Industry Group, also known as the "wealth squad," is a team of experienced IRS specialists assembled specifically to audit wealthy taxpayers. Depending on your point of view, this crack squad is either a scheme by the current leaders directed against the wealthy or a sincere plan to put a dent in the national debt.

In any case, likely to find themselves in their cross hairs, initially, are those with assets or incomes of \$10 million or more, who appear to have a complex financial structure. Don't let your guard down if you are below that level, though, as audit rates are increasing for all high income earners.



How is the IRS and the wealth squad doing? According to the IRS, the percentage of taxpayers audited increased in every category of income over \$500,000 compared with the prior year. In 2010, 18% of \$10 million-a-year-plus earners were audited, up from 10%

the previous year. A total of 12% of the \$5-10 million income group was audited in 2010 compared with 6% in 2009. The IRS refuses to share information about their success rates and how much additional revenue has been realized via this new effort.

Nonetheless, reports in the Wall Street Journal, Bloomberg.com, and SmartMoney all point to wealth squad audits as the "audits from hell." These IRS specialists are famous, or infamous, for endless questions and requests for a broad range of documentation. The IRS says they need detailed information to draw a complete picture of serpentine taxpayer money-hiding schemes. Those on the other side of the audits see only costly drawn-out correspondences and requests for stacks of peripheral and hard-to-get paperwork -- all with short deadlines.

Whether your earnings are in the stratospheric hunting range of the wealth squad or not, everyone is vulnerable to being audited. However, we are here to even the playing field and make the process as painless as possible. Call us as soon as you are notified of an audit so we can formulate a game plan for you.



Lights!
Camera!
Levitt!

The Hollywood Reporter spotlights Steve Levitt

The Hollywood Reporter's May 20, 2011 article entitled *The Secrets of the Rich and Famous*, named SPS's Steve Levitt as one of their top 25 "Greenback Goliaths." Steve also attended an event honoring those included in the business managers "power" list. The article discusses the unique challenges of entertainment industry business managers.

You can read the whole article, and learn more about our business management department, by visiting our website (spscpa.com) and clicking on the "newsletters & newsflashes" option at the top of the screen.

Water buffalos spotted on the Santa Monica Pier

Water Buffalo Club celebrates "Christmas in June"



Our Rick Schenkel has been a member of the Water Buffalo Club (WBC) – a local service organization with the motto "Big Kids Helping Little Kids" -- for over 20 years.

The WBC hosts an annual summer event at the famous Santa Monica Pier for 200 inner-city kids (many of whom have never seen the ocean in person) for a day of fun. Their schools help to organize the occasion and select the children – usually as a reward for reaching scholastic goals -- who are invited to attend. The kids enjoy the pier's rides and games as well as entertainment and a BBQ lunch. At the end of the day, the youngsters are sent home with a goodie bag of gifts and school supplies.

Not only is it rewarding for the invited children, but WBC members often attend with their families to demonstrate the joy of giving to their own kids and to help them better appreciate their own circumstances.

Rental property owners don't have to file 1099s after all?

President Obama signs 1099 repeal act

In a recent client letter, and our February 2011 newsletter, we notified you of a new law requiring rental property landlords to file 1099s for all individuals and businesses that provide services to their properties totaling \$600 or more a year. And, we told you to stay tuned for further updates.

Here's the latest.

President Obama recently signed the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, which, in part, repeals the information-reporting requirements for rental property expense payments. In essence, this puts everything back the way it was. Whew.

This does not mean, however, that all rental property owners are now free from filing any 1099s. Rental properties that are considered to be part of a "trade or business" always had, and still do have, requirements for 1099s.

Please let us know if you need help sorting out this newest adjustment to the law so that you remain in compliance.



Sobul, Primes and Schenkel is a member: American Institute of Certified Public Accountants, California Society of Certified Public Accountants and CPA Associates International with Offices in Principal U.S. and International Cities.

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