

Monthly Tax and Accounting Newsletter

Gregg Harvey, CPA

About This Newsletter

This monthly Newsletter is a free service provided by Gregg Harvey, CPA. It is emailed every month to clients and to select members of the Rochester Regional Chamber of Commerce.

This Month's Contents:

This month's newsletter includes an article on Mailhide, how to tell the IRS that you moved or changed marital status, a case involving filing a Schedule C, a couple rebates notes, and a note on Vista SP1.

Mailhide

I'm always amazed at how many people volunteer their email address on forums and comments sections. I suppose no one told them spammers use programs that crawl the Web in search of email addresses, or perhaps they just don't care. As a site owner, I often hesitate about posting my email address publicly, but sometimes it's inevitable.

I've used different tricks to deter spammers, like using graphics, contact forms, or spelling out the entire email address (yourname [at] yahoo.com), but somehow, those accounts still manage to get spam. You're probably familiar with CAPTCHA (Completely Automated Public Turing test to tell Computers and Humans Apart) since most websites with logins and forms use them, but until now I haven't seen one for individual email addresses.

The folks at Carnegie Mellon University have created an application called

Mailhide to help you hide your email address. Users have to enter their email address and copy a piece of code that displays a partial email address (yah...@yahoo.com) wherever it's posted. If a person really wants to find out what the entire email address is, they'll have to solve one of the two CAPTCHAs the application displays. HTML code is also provided for website owners.

The words can be hard to read, but once solved, the visitor is taken to a page that shows the complete email address (here's an example). It's a bit tricky, but it keeps spammers from collecting your email address

Remember To Notify The IRS If You Move

If you changed your home or business address, notify the IRS to ensure that you receive any refunds or correspondence. While the IRS uses the Postal Service's change of address files to update taxpayer addresses, notifying the IRS directly is still a good idea.

There are several ways to do this.

- On your tax return. You may correct the address legibly on the mailing label that comes with your tax package or write the new address in the appropriate boxes on your tax return when you file.
- Form 8822. You may use Form 8822, Change of Address, to submit an address or name change at any time during the year.

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- **Written Notification.** To give written notification, write to the IRS center where you file your return and provide your new address. The addresses for the IRS centers are listed in the tax instructions. In order to process an address change, the IRS will need your full name, old and new addresses, and your social security number or employer identification number, and signatures. If you filed a joint return, you should provide the same information for both spouses. If you filed a joint return and have since established separate residences, you each should notify the IRS of your new addresses.
- **Verbal Notification.** If an IRS employee contacts you about your account, you may be able to verbally provide a change of address.
- It's a good idea to notify your employer of your new address so that you can get your W-2 forms on time.

If you change your address after filing your return, don't forget to notify the post office at your old address so your mail can be forwarded.

You should also notify the IRS if you make estimated tax payments and you change your address during the year. You should mail a completed Form 8822, Change of Address, or write the IRS center where you file your return. You can continue to use your old pre-printed payment vouchers until the IRS sends you new ones. However, do not correct the address on the old voucher.

You can download Form 8822, Change of Address at the IRS Web site, IRS.gov, or order by calling 800-TAX-FORM (800-829-3676).

Newlyweds and Newly Divorced

Newlyweds and the recently divorced should ensure the name on their tax return matches the name registered with the Social Security Administration (SSA). A mismatch could unexpectedly delay a tax refund.

For recently married taxpayers, the tax scenario begins when the bride says "I do." If she takes her husband's last name, but doesn't tell the SSA about the name change, a complication may result. If the couple files a joint tax return with her new name, the IRS computers will not be able to match the new name with the Social Security Number (SSN).

After a divorce, a woman who had taken her husband's name and made that change known to the SSA should contact the SSA if she reassumes a previous name.

It's easy to inform the SSA of a name change by filing Form SS-5 at a local SSA office. It usually takes two weeks to have the change verified. The form is available on the agency's Web site, www.socialsecurity.gov, by calling 800-772-1213 and at local offices. The SSA Web site provides the addresses of local offices.

Generally, taxpayers must provide SSNs for each dependent claimed on the tax return. For adopted children without

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SSNs, the parents can apply for an Adoption Taxpayer Identification Number, or ATIN, by filing Form W-7A with the IRS. The ATIN is a temporary number used in place of the SSN on the tax return. The form is available on the IRS Web site, IRS.gov, or by calling 800-TAX-FORM (800-829-3676).

Should You File a Schedule C In This Case?

A taxpayer was hired to proofread an instruction program, and was paid \$5,000 - no 1099 received, as the company was overseas. He had expenses of about \$570 to do the work (some shipping, and someone to assist him with something or other).

Separately, he was paid \$1,000 to give a lecture. He did receive a 1099-MISC for this.

He is not in the business of proofreading for hire. Nor is he in the business of giving lectures for hire. However, he does do both, very irregularly, when a request is made and he has time available.

There are a couple of ways of handling each of these (either separately or together)

The instructions say: *Use Schedule C (Form 1040) to report income or loss from a business you operated or a profession you practiced as a sole proprietor. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity.*

For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21, or Form 1040NR, line 21.

There was a recent court case about a window washer that did a window washing job on a building one time. He won the case and income was not considered self employment income. .

In this case, a case could be made that the taxpayer should not do a Schedule C or SE. It's irregular so it most likely doesn't rise to the level of a trade or business. There is a fair amount of information on the topic which distinguishes SE business income from casual income.

On the other hand, this activity is not regular, but occasional. Taxpayer obviously is qualified to do these things, has experience in doing them, and hires himself out to do these things. The work would be performed by someone else who would be in the business of doing the work. Based on this criteria, the level of expertise necessary, and the profit motive, these are definitely Schedule C items.

It's important to research the issue first since there's a lot of guidance on what is not considered SE income.

Watch Out For Phishing With "IRS" Email Addresses

Here is a recent example of a bogus email:

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Internal Revenue Service"
<info@service-irs.com>

After the last annual calculations of your fiscal activity we have determined that you are eligible to receive a tax refund of \$620.50.

Please submit the tax refund request and allow us 3-6 days in order to process it.

A refund can be delayed for a variety of reasons.

For example submitting invalid records or applying after the deadline.

To access the form for your tax refund, please click here

Note: For security reasons, we will record your ip-address, the date and time.

Deliberate wrong inputs are criminally pursued and indicated.

Regards,
Internal Revenue Service

Rebates Update

Those who filed their tax returns at the last minute could have longer waits for their money. But there is an easy way to check the status of your check.

The only thing worse than having money burning a hole in your pocket, it seems, is wondering where in the devil the money that's supposed to be burning a hole in your pocket is. Now that the IRS is finally mailing the economic stimulus checks (a.k.a. rebates) Congress

authorized last February, taxpayers are getting increasingly antsy about when their money will arrive.

The planned payment schedule has been widely publicized. By now, in fact, most of the 45 million or so electronically deposited rebates should have arrived in taxpayers' bank accounts. The final batch -- billions of dollars for taxpayers whose Social Security numbers end in 76 through 99 -- is supposed to be sent no later than May 16.

The government began mailing paper rebate checks to 88 million Americans on May 9, according to the schedule below. Checks to recipients with Social Security numbers ending in 00 to 09 are supposed to be in the mail by May 16. But there's a big difference between when the first checks go in the mail and when the last taxpayer actually gets his or her money.

First, there's the unavoidable fact that it takes a few days, at least, for the Postal Service to get the check to your mailbox. More importantly -- and more frustrating for millions of taxpayers -- is that the IRS schedule applies only to taxpayers whose 2007 tax returns were processed by the agency by the April 15 deadline.

Tens of millions of returns filed during the week or so run-up to the deadline, and after it passed, aren't covered. And the IRS says the owners of those returns can expect to wait for their rebates a minimum of six weeks from the time they filed -- regardless of the last two digits of their Social Security numbers.

So, even if your Social Security number ends in 00, don't hold your breath

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waiting for a rebate if you filed close to the tax deadline. You might not get your money until June.

If you haven't filed yet, figure at least six weeks will pass between the time you send in your return and when the IRS sends you your rebate. (Late filers can speed up the process by filling in the direct deposit information on their tax return, regardless of whether they have a refund coming. That ensures the IRS will electronically deposit their rebate.)

If you're wondering where your money is, use the IRS Where's My Stimulus Payment tool to check. Answer three simple questions -- your Social Security number, the type of return you filed and the number of exemptions you claimed - - and you'll get a quick report of how big your rebate is and when it was, or will be, electronically deposited or dropped in the mail. If you're more than a week or so ahead of the trigger date, you'll be asked to check back later.

As noted earlier, all electronic deposits - - for taxpayers whose returns were processed by April 15 -- should be made by May 16.

For taxpayers who will receive their rebate checks by mail, see the official IRS schedule below. If you filed near or after the April 15 deadline, your rebate is likely to be delayed.

If the last two digits of your Social Security number are: Your check should be in the mail by:

00 - 09 May 16

10 - 18 May 23

19 - 25 May 30

26 - 38 June 6

39 - 51 June 13

52 - 63 June 20

64 - 75 June 27

76 - 87 July 4

88 - 99 July 11

Another Rebates Note

As economic stimulus checks are arriving in bank accounts and in the mail for many across the country, at least 1 million legal residents will not see a rebate.

In an attempt to prevent illegal immigrants from receiving any rebate money, the Senate added a Social Security number as a requirement of eligibility. But as a result, American citizens with foreign-born spouses who filed jointly were made ineligible for the \$1,200 allotted for couples. The technicality also prevents such couples from receiving the \$300 designated for each child. Those who use IRS-issued taxpayer identification numbers to file their taxes are also ineligible.

This affected group includes tens of thousands of American soldiers stationed overseas, hundreds of thousands of H-1B work visa holders and non-citizen green card holders.

Vista SP1 Available Through Windows Update

Microsoft announced on Tuesday that Vista users can upgrade to Vista Service Pack 1 through a Windows Update download.

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Conventional wisdom a year ago was that it would be prudent to wait for the first service pack before upgrading to Vista. Well, Vista SP1 is ready and available for download. I've been running Vista for a few months now on a dual-boot PC, and in my personal experience it's been more stable than expected.

Media coverage and test results of SP1 seem to indicate that Vista is now even more solid. Is it finally time for XP users to make the switch?

This is a nice upgrade for Vista, no doubt. Still, the problems with the OS remain. There are still printers out there that there are no Vista drivers for, and that's just wrong. Even so, if you are buying a new PC I say go ahead and get Vista pre-installed. There is no way around it, unless you really do want to jump on the Mac bandwagon.

For More Information

For more information on anything covered in this Newsletter, please contact me. I provide tax, accounting, consulting, and other business services such as payroll and medical billing.

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