

# THE IRS TATTLER

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## House Republicans push to slash IRS budget by 24 percent, cite abuses and sequestration

House Republicans want the IRS to pay for targeting political groups and are pushing legislation that would cut the tax collecting agency's budget by \$3 billion -- nearly a quarter of what it received last fiscal year.

The House Appropriations Committee is scheduled to start "marking up" the spending bill Wednesday.

While it's unlikely that such a severe cut will pass both congressional chambers, it does give lawmakers another opportunity to verbally punish the agency for unfairly scrutinizing conservative groups applying for tax-exempt status.

The bill would place additional restrictions on spending at the IRS and prohibit employees from implementing the individual mandate in the Affordable Care Act -- commonly referred to as ObamaCare. It also bans conferences, the production of videos and curbs what lawmakers see as a number of abuses at the IRS.

The fiscal 2014 spending bill figures were released Tuesday by House Appropriations Committee Chairman Rep. Hal

Rogers. The legislation would give \$9 billion to the IRS - \$4 billion less than what President Obama requested and \$3 billion less than what House Republicans gave last year. In fiscal 2013, the agency's budget was around \$12 billion.

The cuts aren't sitting well with the National Treasury Employees Union which represents 150,000 employees in 31 agencies and departments.

President Colleen Kelley says that the 24 percent cut in funding would take the agency's budget back to the level it was more than a decade ago.

"In terms of the ability of the IRS to meet its mission on behalf of the American people, such a budget would absolutely devastate the agency," Kelley said in a written statement.

Kelley also argues that the tax agency should not be penalized because a May 14 audit by the Treasury Inspector General for Tax Administration "found no evidence of intentional wrongdoing or political motivation on the part of IRS employees in the tax-exempt

division." Texas Rep. Kevin Brady isn't buying it.

"I can't think of a federal agency in a weaker position than the IRS," he said. "The IRS should resign itself to not getting more money."

Separately, acting IRS Commissioner Danny Werfel told workers in an email that he is canceling annual bonuses for managers because of sequestration cuts. The union's collective bargaining agreement calls for about \$70 million in performance bonuses this year, but there is a clause that could enable the IRS to renegotiate.

Don't think that just because the IRS faces budget cuts, things will get any easier on the collection side of the IRS. It is likely that with the money crunch due to budgetary cutbacks, the collection wing of the IRS will be told to be more aggressive to bring in more money and do what it can to make up for the difference. This is not good news for the taxpayers. Do not face the IRS alone, ensure that you are represented by a local, licensed, tax attorney. Let me deal with the IRS so you don't have to.

foxnews.com



## Rapper Fat Joe Gets 4 Months in Prison for Tax Evasion

The rap singer known as “Fat Joe” has been sentenced to four months in prison for failing to file income tax returns on more than \$3.3 million in taxable income.

The performer, whose real name is Joseph Cartagena, was sentenced Monday in a federal court, in Newark, N.J. Cartagena, 42, of Miami Beach, Fla., previously pleaded guilty before U.S. Magistrate Judge Cathy L. Waldor to two counts of

a four-count information charging him with failing to file a tax return for tax years 2007 to 2010. Those two counts correlate to tax years 2007 and 2008. Under the terms of the

plea agreement, however, the tax loss for all four years, including 2009 and 2010, was taken into account for sentencing. Cartagena received income for his musical performances as well as royalties on the sales of his music. The money came from three differ-



ent sources: Terror Squad Production Inc., Miramar Music Touring Inc., and FJTS Corp. Cartagena owned Terror Squad and Miramar, both of which are corporations based

in Somerville, N.J. Cartagena admitted he received gross income of over \$1.18 million in 2007, more than \$1.28 million in 2008, over \$265,000 in 2009, and more than \$630,000 in 2010. The total tax loss to the government was \$718,038.

In addition to the prison term, Judge Waldor sentenced Cartagena to one year of supervised release and fined him \$15,000. He must report by Aug. 26, 2013, to begin serving his sentence.

U.S. Attorney Paul J. Fishman credited special agents with IRS-Criminal Investigation, under the direction of Special Agent in Charge Shantelle P. Kitchen, with the investigation leading to today's sentence. The case was pros-

ecuted by Assistant U.S. Attorney Joseph Mack of the U.S. Attorney's Healthcare and Government Fraud Unit.

The singer has previously had other run-ins with the law. In 1998, he and another rapper were arrested on assault charges and accused of hitting another man with a baseball bat and stealing his gold chain. He was also arrested in 2002 for fighting with another man at B.B. King's Blues Club in Times Square in New York. In addition, he was named as a witness after his bodyguard was arrested in 1994 for shooting a teenager at a Bronx nightclub. He was again named as a witness in 2007 after a double homicide occurred outside a café in South Beach, Fla.

accountingtoday.com

### Are You Marrying Someone with Oklahoma Tax Problems This Summer?

Congratulations on your upcoming marriage and on the honesty that you already share with your soon-to-be spouse. It is important that you know about his or her debt, including outstanding tax liabilities, before joining your lives together. Of course, knowledge is only the first piece of the puzzle. Now that you know that your soon-to-be spouse is in trouble with the IRS, you need to know how it could affect you after your marriage. Tax Problems Can Be Avoided.



The marriage itself does not create any tax liability for you. You are not liable for the tax debt incurred by your spouse before your marriage. However, if you and your spouse decide to file joint tax returns after your marriage, then you may open yourself up to potential liability. For example, the IRS could take whatever refund is owed jointly to you and your spouse to cover some of your spouse's outstanding tax liability. Addition-

ally, any tax problems that your spouse incurs after your marriage could, in some cases, also affect you.

Get the help you and your spouse need from an experienced Norman tax lawyer

The tax laws are confusing, and it can be difficult to know how best to protect your new family when an IRS officer is pressuring you for money. For more information about how to protect your rights, please contact our office today at 405-607-1192, and please download a FREE copy of our book, *The Ultimate Survival Guide for IRS Problems*.

#### July Deadlines

**July 10-** Employees who work for tips. If you received \$20 or more in tips during June, report them to your employer. You can use Form 4070.

## IRS Audits Target Thousands of Adoptive Families

The Adoption Tax Credit was introduced in 1996 as a means of helping low and middle-income families offset some of the costs of the adoption process. While the credit is meant to ease the financial burden of adoption, a report from the Taxpayer Advocate Service suggests that claiming this key tax break may have inadvertently lead to an audit for thousands of adoptive families.

According to the agency's 2012 Annual Report to Congress, approximately 90 percent of returns claiming the adoption tax credit for the 2012 filing season were flagged for additional review. Income and a lack of proper documentation for expenses were cited as the most common reasons. Of the returns that were flagged, nearly 70 percent were selected for an audit, affecting more than 35,000 families. Statistically, only around one percent of all tax returns are subject to an audit.

The Taxpayer Advocate Service report also points out that of the returns that were audited, more than 55 percent resulted in no

change in tax liability with regard to taxes owed or refunds due. Approximately \$668.1 million was claimed in adoption credits for the 2011 tax year but the IRS disallowed only 1.5 percent of all claims, resulting in just \$11 million in increased tax revenue. Conversely, the IRS had to pay out \$2.1 million in interest to taxpayers who had their refunds held beyond the 45-day period allowed under federal law. The median refund due for those who were qualified to receive the credit was more than \$15,000.

The report suggests that the root of the problem can be traced to the passage of the Patient Protection and Affordable Care Act in 2010, which changed the way the adoption credit was calculated. For the 2010 and 2011 tax years, the credit was worth \$13,170 per child and it was fully refundable. This effectively meant that taxpayers who had no tax liability could get the credit as a refund, which lead to an increased number of adoptive families receiving money back at tax time. When faced with

the task of verifying the accuracy of the adoption credit claims, the IRS began flagging the majority of returns that included the credit to detect potential fraud.

The Taxpayer Advocate Service called the IRS's handling of the affected returns "misguided" and expressed concern over the economic impact felt by the adoptive families targeted for an audit. The agency has recommended that the IRS take steps to ensure that eligible families are able to claim the credit without the fear of an audit. Specifically, it's been suggested that the IRS provide taxpayers with examples as to what type of documentation is needed for the credit, allow for e-filing of returns that claim the credit when supporting documentation is included in an electronic format and develop a third-party affidavit to allow for verification of an adoptive child's special needs status.

Families who claimed the adoption credit for the 2012 tax year are less likely to find themselves the target of an audit. The passage of the American Taxpayer

Relief Act in January made the credit permanent but it also made it non-refundable, which means it won't increase your refund if Uncle Sam owes you money. This could change, however, if the credit becomes refundable at some point in the future. Several lawmakers, including Senators Bob Casey, D-Pa., and Mary Landrieu, D-La., recently introduced the Adoption Tax Credit Refundability Act of 2013 which would restore the refundable portion of the credit. More families would be able to reap the economic benefits of the adoption credit but the audit risk could once again increase if the IRS fails to take corrective action.

If you're considering adoption or you've already begun the process, you need to know what tax benefits you may be eligible for. Check out Topic 607 on the IRS website to find out who qualifies for the adoption credit and what you need to document your claim.

Backtaxeshelp.com

### Client TESTIMONIAL

*We both appreciate what you did for us and how you handed our case. We definitely would recommend you to people that might have the same experience that we had.*

*Thank you so much!*

*J.D. from Inola, Oklahoma*



## Knox & Emma Watkins

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***Question:***

*What famous movie  
was released in late  
August 1939?*

- A. Gone with the Wind*
- B. The Adventures of Sherlock Holmes*
- C. The Adventures of Huckleberry Finn*
- D. Wizard of the Oz*

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