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FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Tax Planning: Now More Important Than Ever

Thankfully it's not too late to try and minimize your taxes for 2023. If you haven't scheduled a tax planning session, now is a great time to do so. Here's how a tax planning session can potentially help your situation:

It can make a difference. This is especially true if you have a major event that occurs during the year. For example, even in uneventful years, external forces like new tax laws can be managed if planned for in advance.

Selling a house? You can avoid taxes if primary residence requirements are met.

Starting a business? Choosing the correct entity can lower your taxes every year!

Getting ready to retire? Properly balancing the different revenue streams (part-time wages, Social Security benefits, IRA distributions and more) has a huge impact on your tax liability.

Put yourself in control. Timing is important when it comes to minimizing taxes, and the timing is often in your control. For instance, bundling multiple years of charitable contributions into one year can create an opportunity to itemize deductions. Holding investments for longer than one year to get a lower tax rate, and making efficient retirement withdrawals are other examples of prudent tax strategies that you control.

There are tax planning opportunities for every level of income. Tax deductions are available for student loan interest, IRA contributions and other situations even if you claim the

standard deduction. Certain tax credits (called refundable credits) will increase your refund even if you don't owe taxes. Missing any of these tax breaks can unnecessarily increase your taxes.

The tax landscape is constantly changing. New tax laws are passed almost every year. New laws may mean new tax deductions you can take advantage of. It can also mean that an existing deduction you had been taking is no longer available. A tax planning session can help you understand what deductions are and are not available for your particular situation.

You have help. Tax planning comes down to looking for ways to reduce taxable income, delay a tax bill, increase tax deductions and take advantage of all available tax credits. The best place to start is to bolster your level of tax knowledge by picking up the phone and asking for assistance.

Damian Hurmence, CPA, is a partner in our Waterloo office.



The IRS is NOT Always Right

Think twice about automatically paying the amount due on a notice. Here are several quotes from actual IRS correspondence that serves as evidence that our national tax collection agency is not always right:

Thank you for your correspondence. We currently do not have a copy of the correspondence we sent to you regarding your child's tax return.

Our records show we received a 1040X... for the tax year listed above. We're sorry but we cannot find it.

Our records show you owe a balance due of \$0.00. If we do not receive it within 30 days, appropriate collection steps will be taken.

Payment is due on your account. Please submit payments on or before June 31 to avoid late payment penalties and interest.

It's pretty tough to pay a balance due of \$0 on June 31st when June only has 30 days. The message should be clear. If you receive a notice from the IRS, do not automatically assume it is correct and submit payment to make it go away. Here are some suggestions for how to handle a letter you may receive from the IRS or other taxing authority:

Stay calm. This is easier said than done, but remember the IRS sends out millions of notices each year. The vast majority of them correct simple oversights or common filing errors.

Open the envelope. You would be surprised at how often clients are so stressed by receiving a letter from the IRS that they cannot bear to open the envelope. If you fall into this category try to remember that the first step in making the problem go away is to open the correspondence.

Carefully review. Review the letter. Try to understand exactly what the IRS thinks needs to be changed and determine whether or not you agree with their findings. Unfortunately, the IRS rarely sends correspondence to correct an oversight in your favor, but it sometimes happens.

Respond timely. The correspondence received should be very clear about what action the IRS believes you should take and within what time frame. Delays in responses could generate penalties and additional interest payments.

Get help. Getting assistance from someone who deals with this all the time makes the process go much smoother.

Correct the IRS error. Once the problem is understood, a clearly written response with copies of documentation will cure most of these IRS correspondence errors. Often the error is due to the inability of the IRS computers to conduct a simple reporting match. Pointing the information out on your tax return might be all it takes to solve the problem.

Certified mail is your friend. Any responses to the IRS should be sent via certified mail or other means with proof of delivery. This will provide evidence of your timely correspondence. Lost mail can lead to delays, penalties and additional interest on your tax bill.

Don't assume it will go away. Until a definitive confirmation that the problem has been resolved is received, assume the IRS still thinks you owe the money. If no correspondence confirming the correction is received, a written follow-up will be required.

Receiving a letter from the IRS is never fun. Please call if you have questions or need assistance.





Thank you for giving us the opportunity to serve you this year.

We value your trust and confidence you have placed in us. Your business is appreciated and your referrals are welcome.

We wish you a happy holiday season and a prosperous 2024.

Five Great Money Ideas

Here are five great money tips to help you get ahead or move into a better financial position.

Make savings automatic. Take steps to make your savings happen automatically. Setting up automatic transfers for a certain day of the month or payday can help you shore up regular savings before the money gets spent elsewhere. Fortunately, most banks make it easy to set up automatic transfers for a day that works for you.

Pay down debt. Data from the Federal Reserve shows the average interest rate on credit card accounts was 22.16% in May, 2023. At that rate, paying down \$10,000 in debt with a monthly payment of \$200 would take 134 months and cost \$16,654 in interest alone. If you have high interest debt, consider paying it down as fast as you can.

Upgrade your savings accounts. While interest rates on loans and other debt are sky high, higher rates give you the chance to earn more on your savings. In fact, many of the best certificates of deposit (CDs) and high-yield savings accounts are offering yields of 5% more than right now with reasonable minimum balance requirements. But read the fine print as there may be hidden fees lurking at some banks.

Boost retirement contributions. Take advantage of time and compound interest right now by increasing your contributions to a 401(k), traditional IRA or a Roth IRA. In 2023 you can contribute up to \$22,500 in a 401(k) (\$30,000 if 50 or older) and up to \$6,500 in an IRA (\$7,500 if 50 or older).

Create and use a monthly budget. Finally, consider writing up a monthly budget or spending plan that ensures each dollar you earn is allocated to a specific goal or category. From there, track your spending throughout the month to see how your actual purchases and bills align with the plan you've created. Make tweaks to your budget accordingly and look for opportunities to cut spending in categories you have some control over, like dining and entertainment.

These great money tips can provide a financial boost to you and your family, regardless of the economy's ups and downs.



Living Our Core Values

As we embark on our 100th year in business in 2024, we're proud to say we continue striving for excellence and focusing on our core values: **Integrity, Stewardship, Unity, Compassion and Fun.**

We will be celebrating this upcoming milestone year with many activities for our employees and clients. Our overall theme will be serving the communities in which we do business, with a goal of 100 volunteer hours in each location. Along with serving our communities, we will be having ribbon cutting ceremonies and open house events at each of our offices. We value our employees and clients and want to celebrate our accomplishments together as we look forward to our future. Be on the lookout for details about these events, as well as prize giveaways throughout 2024.

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1601 Golden Aspen Drive, Suite 107

Ames, IA 50010

1201 SW State Street, Suite 101

Ankeny, IA 50023

2750 First Avenue, NE, Suite 150

Cedar Rapids, IA 52402

200 North Adams Avenue

Mason City, IA 50401

3128 Brockway Road

Waterloo, IA 50701

www.hoganhansen.com

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**One kind word can warm
three winter months.**

- JAPANESE PROVERB

*The meaning of life is to find your gift.
The purpose of life is to give it away.*

- PABLO PICASSO

**Write it on your heart that every day
is the best day in the year.**

- RALPH WALDO EMERSON

NOTABLE QUOTES

**Even the strongest
blizzards start with
a snowflake.**

- SARA RAASCH

The best Christmas gifts are not material
things, but gifts of listening, of showing
kindness, of remembering, of visiting,
of forgiving, of giving time.

- ANONYMOUS

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