

TAX & FINANCIAL NEWS

PUBLISHED QUARTERLY BY THE EDITORS OF CSI TAX GROUP

IN THIS ISSUE:

- **IRS GETS MORE AGGRESSIVE**
- **COMMON AUDIT REASONS**
- **YOUR RIGHTS AS A TAXPAYER**
- **INSIDE IRS CRIMINAL INVESTIGATION**
- **ABUSIVE TAX RETURN PREPARERS**
- **RETIREMENT PLANS**
- **TAX COURT: YOU WIN SOME YOU LOSE SOME**

In the preparation of the Tax & Financial News every effort has been made to offer the most current and correct information possible. However, errors can occur and tax rules and tax laws often change. The information in the Tax & Financial News is intended to provide general tax information. Accordingly, the information provided herein is not intended to serve as legal, accounting, tax or financial advice.

IRS Circular 230 Disclosure - To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this document (including attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter that is contained in this document. Please contact CSI Group if you wish to have a formal written advice on this matter.

THE IRS IS GETTING MORE AGGRESSIVE

This is not the year to mess around on your taxes. If you are thinking of fudging your income numbers a bit or you desire to take a questionable deduction, don't do it. If you haven't filed past year tax returns, you need to file them as soon as possible.

The IRS is becoming more aggressive in its collection efforts. With the recent IRS auditing budget increase, the IRS has also become more aggressive about auditing individuals and businesses. Audits are not just random or based on mistakes or "red flags."

Current political support for collecting unpaid taxes and penalties is at all time high.

In fact, the IRS audited 1,581,394 individual income tax returns in fiscal 2010.

With 2,706 Special Agents, the IRS Criminal Investigation has initiated 9,440 investigations, recommended 3,410 prosecutions, issued 2,998 indictments and sentenced 2,206 individuals.

Source: *Criminal Investigation Management Information System (CIMIS)*

Common Reasons for Tax Audits

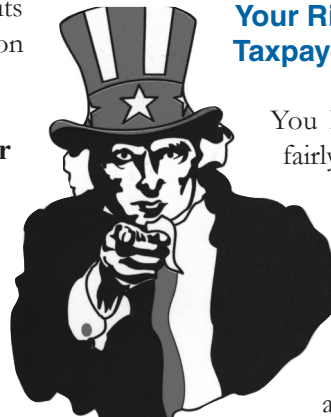
The IRS scores every tax return with a discriminate function (DIF) number. It is based on secret calculations they use to identify income tax returns with the highest likelihood of tax change on audit. The DIF score increases for various items, such as business or auto expenses. IRS classifiers review high DIF score tax returns and select which ones and which items will be audited.

Financial Status

Your standard of living and other related factors could also trigger a tax audit. Auditors use public records and statistical data to trace spending and changes in wealth to prove that you have unreported income. Some of these records include credit reports, property tax records, business license applications, motor vehicle records, currency and stock transactions.

Your Rights As A Taxpayer

You have the right to be treated fairly, professionally, promptly, and courteously by Internal Revenue Service employees. The IRS is meant to protect your rights so that you will have the highest confidence in the integrity, efficiency, and fairness of the tax system.



When you engage the team at the CSI Group, you may rest assured that your rights will be protected. You will benefit from our years of experience and you will feel comfortable knowing that your affairs are being handled by a team of seasoned (IRS) Enrolled Agents, Certified Public Accountants, Tax Attorneys and Certified Fraud Examiners.

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1-800-829-5297

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IRS Creates “Registered Tax Return Preparers”

According to the IRS, this new breed of tax return preparers cannot, regardless of the circumstances, represent a taxpayer before IRS Appeals Officers, Revenue Officers or Counsel. The Registered Tax Return Preparers do not even have the authority to provide tax advice to a client except to prepare a tax return. You should be as careful as you would in choosing a doctor or a lawyer. It is important to know that even if someone else prepares your return, you are ultimately responsible for all the information on the tax return.

Taxpayers should be very careful when choosing a return preparer.

Only Certified Public Accountants, (IRS) Enrolled Agents and Attorneys have been specifically recognized by the IRS to represent any client before all administrative levels of the IRS including the Highest Appeals Division. Attorneys may also litigate cases in tax court.

IRS CRIMINAL INVESTIGATION



The IRS Criminal Investigation (CI) is comprised of approximately 4,100 employees worldwide, approximately 2,700 of whom are special agents whose investigative jurisdiction includes tax, money laundering

and Bank Secrecy Act laws. The IRS is the only federal agency that can investigate potential criminal violations of the Internal Revenue Code.

Compliance with the tax laws is generally done by voluntary compliance. When individuals and corporations make deliberate decisions to not comply with the law, they face the possibility of a civil audit or criminal investigation which could result in prosecution and possible jail time.

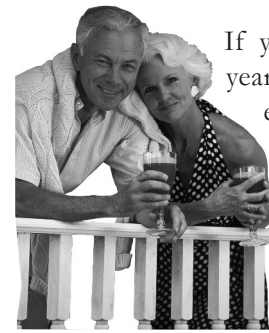
Due to the increased use of automation for financial records, CI Special Agents are trained to recover computer evidence. Criminal Investigation's conviction rate is one of the highest in federal law enforcement. Not only do the courts hand down substantial prison sentences, but those convicted must also pay fines, civil taxes and penalties.

ABUSIVE TAX RETURN PREPARERS

Dishonest return preparers use a variety of methods to prepare fraudulent tax returns. These include, but are not limited to claiming deductions for expenses that have not been paid by the taxpayer, false and inflated employee business expense, charitable contributions, medical and dental expenses, and claiming false rental income and expenses.

Taxpayers, may be stuck with paying additional taxes and interest and, depending on culpability, may be subject to penalties and even criminal prosecution.

Retirement Plans



If you are under 50 years of age at the end of 2011, the maximum contribution that can be made to a traditional or Roth IRA is the smaller of \$5,000 or the amount of your taxable compensation for 2011. This limit can be split between a traditional IRA and a Roth IRA.

If you are 50 years of age or older before the end of 2011 the maximum contribution that can be made to a traditional or Roth IRA is the smaller of \$6,000 or the amount of your taxable compensation for 2011. This limit can be split between a traditional IRA and a Roth IRA.

401(k) Contributions

The limit is \$16,500 for 2011 and \$17,000 for 2012.

SIMPLE Plan Contributions

The limit is \$11,500 for 2011 and 2012.

Catch-up contributions

If you are 50 or over at the end of the calendar year, you may make additional contributions.

When you engage the **CSI Group** to handle your personal or business taxes, you will have peace of mind knowing that your affairs are being handled by a team of professionals such as Certified Public Accountants, Certified Financial Planners, Certified Fraud Examiners, (IRS) Enrolled Agents and Tax Attorneys, all with years of experience.

You will be pleasantly surprised about our fees.

Overall, you will spend less with us for quality and professional service than you will spend with a large commercial tax preparation outlet. Call today for a free quote and a free consultation. You will be immediately connected to a firm principal or partner.

Call us at 1-800-TAX-LAWS (1-800-829-5297)

Tax Court:

You Win Some / You Lose Some

Tax deduction for sperm bank donation

In 2008, William Magdalin of New York City, made regular deposits at his local sperm bank. After he made quite a bit of money, he tried to offset his earnings by taking a tax deduction for his "efforts." The IRS disallowed the deduction and he took the case all the way to the US First Circuit Court of Appeals. He lost.

Pet food may be tax deductible

A couple owned a junkyard and fed a bunch of stray cats. The couple argued that the cats were used to ward off snakes and rats that were living in the junkyard. The IRS disallowed the deduction and the couple took the case to court and won! The IRS agreed that the cats kept the property safer for customers.

Prostitution expenses may be tax deductible?

William Halby deducted \$100,000 expenses for 2004 and 2005 for prostitution expenses. The IRS disallowed the expense and he took the case to U.S. Tax Court. He argued his deductions were medical expenses and were justified as part of "sex therapy" because he was depressed and alone. The U.S. Court denied the deductions because not only is prostitution illegal, but because no doctor would recommend such a thing.

Brest implants may be tax deductible!

Cynthia Hess, AKA, "Chesty Love" of Indiana, was an exotic dancer and deducted \$2,088 for breast implants. The IRS rejected her claim and she sued the IRS in U.S. Tax Court. She won the case because she was able to prove, that the breast implants that left her with a size 56FF, allowed her to make more money than she otherwise would have.



What sets us apart from the rest?

The CSI Tax Group is comprised of a team of professionals with decades of experience such as:

- Tax Attorneys
- Certified Public Accountants
- (IRS) Enrolled Agents
- Certified Estate Planners
- Certified Financial Planners
- Certified Fraud Examiners

To be better prepared in assisting our clients with their financial matters, we also hold licenses as:

- Real Estate Brokers
- Insurance Agents and Brokers
- Title Insurance Agents
- Stock Brokers
- Real Estate Instructors

Family owned since 1973

We are proud to be a family owned, operated, and managed organization since 1973. You could have peace of mind in knowing that we are a very stable financial organization and we own our buildings where we practice.

Call us toll free at

1-800-TAX-LAWS (1-800-829-5297)

**The more you know about us,
the more the choice will be clear.**

Not all members have all licenses or certifications.

www.csigroupllp.com

The CSI Group Tax & Estate Planning Team



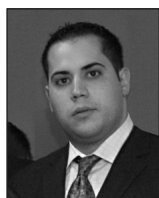
Peter J. Greco, Ph.D., MST, CPA

Peter J. Greco began his career in 1968 working for a New York City Law Firm specializing in criminal tax cases. He now manages the CSI Group's tax litigation and estate/wealth management department. Peter holds a Ph.D. in taxation as well as a Masters of Science in Taxation. He also holds licenses as an (IRS) Enrolled Agent, Certified Estate Planner, Certified Fraud Examiner, Certified Public Accountant, Real Estate Broker, Life Insurance Producer, Stock Broker, Registered Financial Planner, Mortgage Broker and Real Estate Instructor. He is the director of the CSI School of Business where he also instructs real estate classes and continuing education credits to Certified Public Accountants in New York and New Jersey and IRS-Enrolled Agents nationwide. He has written extensively on estate matters and has authored and co-authored many books that deal with taxes, estate planning, financial planning and real estate matters.



Joseph A. Greco, CPA, CFE

Joseph A. Greco received commendable achievements at a very early age. He is a second generation CPA and was one of the youngest CPAs in the nation while also holding many other professional licenses. He is a graduate of the Lubin School of Business at Pace University in New York City where he obtained a B.B.A. in accounting. He holds licenses as a Certified Public Accountant, Certified Fraud Examiner, Stock Broker, Real Estate Agent and Life/Health Insurance Producer.



Robert M. Greco, Esq., CPA, CFE

Robert is a graduate of Monmouth University where he obtained a Bachelors of science in accounting. He received his law degree from Touro Law and is admitted to practice in New Jersey, New York and before the U.S. Tax Court. He expects to be receiving his Masters of Law in Taxation in the spring of 2012. Robert also holds licenses as a Certified Public Accountant, Certified Fraud Examiner, Life/Health Insurance Producer, Real Estate Agent and Title Insurance Agent.



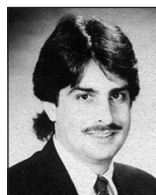
**James P. Greco
Registered Investment Advisor**

James is licensed as an Insurance Producer and Real Estate Agent. He also holds his Series 65 license (Registered Investment Advisor). James is a CPA candidate and he is completing his studies at Monmouth University.



John M. Dalton, Esq.

John M. Dalton has been a practicing attorney since 1981 and he is licensed to practice law in New York. Previously he was the Director of Trading Analysis at the American Stock Exchange. He is often engaged as a Securities lecturer and is the author of "How the Stock Market Works", a text that has received critical acclaim.



Alessandro F. Marra, Esq.

Alex Marra attended St. John's University where he received a B.A. degree in Public Administration and Public Service and graduated Summa Cum Laude. He received his law degree from St. John's University School of Law where he was the recipient of the St. Thomas More Institute for Legal Research Tuition Scholarship and a member of the editorial board of the prestigious St. John's Law Review. Upon graduation, Alex joined a Wall Street law firm until 1986 when he established his general law practice. He is licensed to practice law in New York, New Jersey and Florida.



Jack A. Tinari, CPA, CFE

Jack Tinari began his career as a teenager working for his father in their Red Bank location. Jack brings more than 20 years of experience to the firm. Prior to joining CSI Group, Jack was a managing partner of The Tinari Group, a tax and financial firm based in Red Bank, New Jersey. He holds licenses as a Certified Public Accountant, Certified Fraud Examiner, Real Estate Agent, Life Insurance Producer, Property and Casualty Insurance Agent and Title Insurance Producer. Jack attended Montclair State University where he received a degree in Political Science/Pre-Law.



**Martin W. Harper
(IRS) Enrolled Agent**

Marty brings 35 years of experience to the CSI Group. Prior to joining the CSI Group, Marty was the director of Harper and Associates, a Registered Financial Firm in Hicksville, New York. As an Enrolled Agent, Marty is empowered by Act of Congress to represent clients at all administrative levels of the IRS.