

HERSH, GOLAND & GREEN

CERTIFIED PUBLIC ACCOUNTANTS

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January 7, 2015

Happy New Year. We hope you enjoyed the holiday season because tax time is here. Please take a few minutes to read the rest of this letter and the enclosed information. Your cooperation will help us prepare your return in the most efficient, cost effective way, while maintaining the high quality of our work.

Many people think it is necessary to schedule an appointment to give us their tax information. In fact most of our clients mail us their tax information. This allows us to prepare the return in the most efficient way. We can then call or meet with you to discuss any questions or unusual items. If you feel more comfortable giving us the information personally, please call to schedule an appointment, we do not mean to discourage you from coming in.

The following items are enclosed in this package for your review;

Engagement Letters – *Please sign and return as soon as possible. Be sure to complete the page of tax questions. Do not wait until you provide your tax information. If you are filing a joint return both spouses must sign. We cannot prepare your return until we have your engagement letter.*

Information We Need To Prepare Your Return – A list of the information we need to prepare your return.

Tax Season Processing Schedule – Please pay attention to the dates. We will not send reminders or contact you when the deadlines are approaching.

Information Regarding The Following: - City Business License, Foreign Financial Accounts, Charitable Donations, Use Tax on Internet Purchases, Household Employees, Lender Letters, and Employee Business Expenses.

ORGANIZERS – A tax organizer provides the information and amounts from last years return and a place for this year's information. You can fill it out or use it as a reminder of the information included in your 2013 return. If you would like a tax organizer please check the box at the bottom of the engagement letter.

As always please let us know if you have any questions or comments.

Best regards

Hersh, Goland & Green
Certified Public Accountants

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INFORMATION WE NEED TO PREPARE YOUR RETURN

ENGAGEMENT LETTERS – We cannot prepare your return unless we have your signed engagement letter. For a joint return both spouses must sign.

DOCUMENTS - - Please provide us with your original W-2's, copies or originals of K-1's, escrow statements, 1098's (mortgage interest), 1099's (interest & dividend income), 1099R (pension distributions), brokerage statements and government notices. You do not need to fill in the W-2 information in your tax organizer. Please do not separate your W-2's. All original documents will be returned to you.

HEALTH INSURANCE – Please provide any forms you receive from your Health Insurance Company or employer related to coverage to be used for the preparation of your tax return.

*If you are missing Brokerage Statements, K-1's or a small amount of outside information, **don't wait.** Send us the information you do have. The earlier we can complete the majority of the work on your return, the sooner we can complete it when the final information arrives.*

STOCK TRANSACTIONS – We need the ENTIRE 1099 from the broker along with a gain/loss schedule. If you do not have one please ask your broker if they can provide it. If you have a large volume of trades please ask your broker if they can provide the schedule as an excel spreadsheet. We can import this into our tax software, reducing our time and your fee.

ORGANIZERS – A tax organizer provides the information and amounts from last years return and a place for this year's information. You can fill it out or use it as a reminder of the information included in your 2013 return. If you would like a tax organizer please check the box at the bottom of the engagement letter.

DEADLINES – A sheet with this years filing deadlines is enclosed. Please keep it in mind. If we do not hear from you we will not contact you or file an extension for you

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2015 TAX SEASON DATES

We always do our best to prepare returns in a timely manner however we have an increasing problem with clients providing their information close to the filing deadline. We work on returns in the order the information is received, so the sooner you get it to us the quicker the turnaround time will be.

In order to properly prepare your return we will be adhering to the following schedule:

RETURNS TO BE FILED BY APRIL 15, 2015 - We must have your information by March 16, 2015 in order to complete your return in time to file by April 15, 2015. We can accommodate returns waiting for a brokerage statement, K-1 or other information from an outside source if we have all other available information by March 16th.

EXTENSION OF TIME TO FILE - If you would like us to estimate the amounts due with your extension we will need the information in our office by April 2, 2015. If you do not provide the information by that date you will have to estimate the amount you will owe. This year the extension is for six months, until October 15, 2015. A second extension is not available.

We will not file your extension unless we receive a request from you. It is your responsibility to contact us for an extension, we will not contact you or file an extension unless you return your engagement letter or you contact us.

RETURNS TO BE FILED BY OCTOBER 15, 2015 - We must have your information by September 15, 2015 in order to guarantee that your return will be completed and ready to file by October 15, 2015. We can accommodate returns waiting for a brokerage statement, K-1 or other information from an outside source if we have all other available information by September 15th.

A special note for procrastinators. The anticipation is always worse than the event. Almost everyone who puts off gathering the information says it took much less time and effort than they anticipated and they wish they had done it much earlier. Every year people call us at the last minute to prepare their returns by the due date. We work on tax returns in the order we receive the information from you. So, while we might have time to prepare your return at the last minute, you need to add the time to finish the returns in front of you. Stolen from another CPA - *Your procrastination does not create our emergency.*

We will not send reminders or contact you if we do not hear from you. It is your responsibility to provide your information in a timely manner.

During the last few years preparation of tax returns has become more complex and time consuming. Rules for reporting stock transactions, profits and losses from partnerships and other entities, and even home mortgage interest require more analysis and detailed reporting. This year added reporting related to health insurance coverage. However the due date is still the same, April 15th. .

PLEASE HELP US BY PROVIDING YOUR TAX INFORMATION AS EARLY AS POSSIBLE

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FOREIGN FINANCIAL ACCOUNTS AND SPECIFIED FINANCIAL ASSETS

U.S. citizens and residents (including individuals, corporations, partnerships, trusts and estates) who have a financial interest in or signature or other authority over any “financial accounts” in a foreign country are required to make a separate filing if the aggregate value of these accounts exceeded \$10,000 at any time during 2014. Filing requirements also apply to those with direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign financial accounts of its own. Foreign “financial accounts” include a wide variety of items, such as:

- Bank Accounts
- Securities
- Mutual Funds
- Credit Cards
- Retirement Plans
- Life Insurance

Because both persons with a financial interest and persons with signature authority are required to submit filings, a single account can require multiple filings. For example, a corporate-owned foreign account would require filings by the corporation and by the individual corporate officers with signature authority. Unfortunately, the rules do not permit one person to submit a filing on behalf of others.

These filings must be made by June 30, 2015. The time for filing is not extended by a tax return extension. There are severe civil and criminal penalties for non-compliance of these filing requirements.

In addition, a specified individual must file Form 8938 if the individual has an interest in one or more specified foreign financial assets and those assets have an aggregate fair market value (FMV) exceeding either \$50,000 on the last day of the tax year or \$75,000 at any time during the tax year, \$100,000 and \$150,000, respectively, for married individuals filing a joint annual return. A specified individual is a U.S. citizen, a U.S. resident alien for any part of the tax year, a nonresident alien who makes an election to be treated as a U.S. resident alien and a nonresident alien who is a bona fide resident of American Samoa or Puerto Rico.

Specified foreign financial assets include financial accounts maintained by foreign financial institutions and other assets not held in accounts maintained by financial institutions, such as stock or securities issued by non-U.S. persons, financial instruments or contracts with issuers or counterparties that are non-U.S. persons, and interests in certain foreign entities. However, no disclosure is required for interests that are held in a custodial account with a U.S. financial institution.

The form is included with your individual income tax return. The penalty for failing to report specified foreign financial assets for a tax year is \$10,000. Additional penalties are imposed if the form is not filed after an IRS request.

If you want to file, or are uncertain whether you are, or will be, required to file, a FBAR or a Form 8938 for the current year or for a past year, please call to discuss your situation and the best way to proceed.

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HOUSEHOLD EMPLOYEES

Household employees include housekeepers, maids, babysitters, gardeners, and others who work in or around your private residence as your employee. Repairmen, plumbers, contractors, and other business people who provide their services as independent contractors, are not your employees. Household workers are your employees if you can control not only the work they do but also how they do it.

If you pay a household employee cash wages of a specified amount or more in a calendar year (\$1,800 or more for 2014, \$1,900 or more for 2015), you generally must withhold 6.2% of social security and 1.45% of Medicare taxes from all cash wages you pay to that employee. (Cash wages include wages you pay by check, money order, etc.) Unless you prefer to pay your employee's share of social security and Medicare taxes from your own funds, you should withhold 7.65 percent from each payment of cash wages made. You must also pay state taxes. Forms W-2 must be issued to the employees.

INTERNET PURCHASES - USE TAX

In general, you must pay California or your state of residence use tax if you purchase an item out-of-state (for example, by telephone, over the Internet, by mail, or in person) and the seller does not collect sales or use tax, and you use, give away, store, or consume the item in this state. You may report use tax on your income tax return instead of filing a use tax return with the State Board of Equalization

LENDER LETTERS

Once again we are being asked to verify employment status and income by mortgage underwriters, particularly by Wells Fargo Bank. Many times aggressive mortgage brokers are misclassifying employment status and looking for us to validate their position. We will only respond in writing. If you are self-employed or the owner of a corporation our letter will include the gross income, your compensation, and the profit or loss of the company. It will state that the tax return was prepared from information you provided, that we did not verify its accuracy, and that we are not offering any assurance as to your ability to repay the loan. There will be a fee for writing the letter and for providing additional copies or pdf's of your return. We will discuss the fee at the time of your request.

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CITY BUSINESS LICENSE

If you receive 1099 income and do not have a city business license you must apply and file the appropriate city business license form by February 28, 2015 for the city of Los Angeles, other cities vary. The State of California notifies the city of returns that include a Schedule C (1099 income). Any 1099 Misc. with an amount in the non-employee compensation box requires filing, regardless of the amount, even though you do not consider yourself self-employed. For additional information you can look at your city's website. The cities are aggressively pursuing unregistered businesses.

CHARITABLE DONATIONS

General rules. If you claim a deduction for a charitable contribution you must maintain reliable written records regarding the contribution, regardless of the value or amount of the contribution. For a contribution of money, you generally must maintain a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution. It's not sufficient to maintain other written records, such as a log of contributions. For noncash donations you need a receipt from the charity or other reliable records.

Stricter substantiation requirements apply in the case of cash and noncash charitable contributions with a value of \$250 or more. No charitable deduction is allowed for any contribution of \$250 or more unless you substantiate the contribution by a contemporaneous written acknowledgement of the contribution by the donee organization. You must have the receipt in hand by the time you file your return (or by the due date, if earlier) or you won't be able to claim the deduction.

If you make separate contributions of less than \$250, you won't be subject to the requirement to get a written receipt, even if the sum of the contributions to the same charity totals \$250 or more in a year.

If the total charitable deduction you claim for non-cash property is more than \$500, you must attach a completed Form 8283, you must provide us with a description of the property donated, the date of the donation, when the property was acquired and its cost.

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EMPLOYEE BUSINESS EXPENSES

You are not allowed a deduction for items that the IRS considers to be personal expenses. These are expenses of a general nature that most people incur. We generalize this as the “but for” test. But for being in your line of work you would not subscribe to the L.A. Times, have cable T.V., etc. Following is an excerpt from the IRS entertainment industry audit guide relating to this issue; it will give you an idea of the IRS view.

Chapter 8 — PERSONAL EXPENSE ISSUES

KEEPING CURRENT - Entertainers have been known to make a convincing argument about how much they have to spend to “stay on top” or keep current; nevertheless, most of these items typically overlap too much with personal expenses to constitute business deductions.

Cable TV - Taxpayers in the entertainment industry often try to deduct amounts paid for cable TV. They must be able to show how cable TV, as a whole, specifically benefits their employment. IRC section 274 places strict limits on deductions for items which are “generally considered to constitute amusement, entertainment, or recreation.” Such items are thus deductible only where there is a clear tie to particular work. The easier it is to trace the expense to a particular event or class, the better the chances of an allowable deduction. If the taxpayer has a spouse or children in the household, their personal use of the cable TV should also be considered in determining any allowable deduction.

Movies and Theatre - The same situation exists for movies and theatre. Movies and theatre are deducted as entertainment or education. Either way, the same documentation requirements exist. The taxpayer must specifically identify how the movie or play directly applied to his or her career at the time through the appropriate documentation. Where a deduction for a particular event is allowed such as a theatre ticket to a certain play to research an upcoming film role, only one ticket would generally be deductible.

Appearance and Image - Taxpayers in the entertainment industry sometimes incur unusually high expenses to maintain an image. These expenses are frequently related to the individual's appearance in the form of clothing, make-up, and physical fitness. Other expenses in this area include bodyguards and limousines. These are generally found to be personal expenses as the inherently personal nature of the expense and the personal benefit far outweigh any potential business benefit. No deduction is allowed for wardrobe, general make-up, or hair styles for auditions, job interviews, or “to maintain an image.”

Wardrobe - To deduct clothes as a business expense, two requirements must be met. First, the clothes must be required by the employer. Second, clothes must not be adaptable to street or general use. Expenses for costumes and “period” clothing are generally deductible. However, most union contracts provide for compensation to be given performers who require special wear. The taxpayer must prove that his or her contract did not include such reimbursement for the expense to be allowable.

Make-up - Make-up for performances is usually provided by the studio. Stage make-up that the taxpayer buys for an audition or a live theatrical performance may be deductible, if it is not a general over-the-counter product.

Physical Fitness - Deductions for general physical fitness are not allowable. Usually, if physical fitness is required of a specific job, the studio will provide the cost. If the taxpayer was employed in a capacity that required physical conditioning, allow expenses for the duration of employment if no reimbursement or compensation was available.

Television - You cannot deduct the 60" LED with surround sound that you store in the living room, even though you only watch it to see how the shows or movies you are affiliated with look and sound.