



Grimaldi & Nelkin

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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Identity Theft

Taxpayers need to be careful to protect their personal information. Identity thieves use many methods to steal personal information and then they use the information to file a tax return and get a refund. How can you avoid becoming the victim of an identity thief? Please be aware of the following:



1. The Internal Revenue Service does not initiate contact with a taxpayer by e-mail. If you receive a scam e-mail claiming to be from the Internal Revenue Service, forward it to the IRS at phishing@irs.gov.
2. Identity thieves get your personal information by many different means, including:
 - Stealing your wallet or purse
 - Posing as someone who needs information about you through a phone call or e-mail
 - Looking through your trash for personal information
 - Accessing information you provide to an unsecured internet site
3. If you discover a website that claims to be the IRS but does not begin with 'www.irs.gov', forward that link to the IRS at phishing@irs.gov.
4. To learn how to identify a secure website, visit the Federal Trade Commission at www.onguardonline.gov/tools/recognize-secure-site-using-ssl.aspx.
5. If your social security number is stolen, another individual may use it to get a job. That person's employer may report income earned by them to the IRS using your social security number, thus



making it appear that you did not report all of your income on your tax return.

6. Your identity may have been stolen if a letter from the IRS indicates more than one tax return was filed for you or the letter states you received wages from an employer you don't know. If you receive such a letter from the IRS, leading you to believe your identity has been stolen, respond immediately to the name, address or phone number on the IRS notice.
7. If your tax records are not currently affected by identity theft, but you believe you may be at risk due to a lost wallet, questionable credit card activity, or credit report, you need to provide the IRS with proof of your identity. You should submit a copy of your valid government-issued identification – such as a social security card, driver's license, or passport - along with a copy of a police report and/or a completed Form 14039, Identity Theft Affidavit. As an option, you can also contact the IRS Identity Protection Specialized Unit, toll-free at 800-908-4490. You should also follow FTC guidance for reporting identity theft at www.ftc.gov/idtheft.
8. Show your social security card to your employer when you start a job or to your financial institution for tax reporting purposes. Do not routinely carry your card or other documents that display your social security number.



As identity theft becomes more of a problem, it is very important to guard your personal and financial information. Make sure to check frequently that your credit cards or other financial information are not missing.

650 James Street
 Syracuse, New York 13203
 Tel 315.472.1040
 Fax 315.472.1099 www.grimaldicpa.com

Business Or Hobby?



There are various rules for determining if an activity qualifies as a business as well as limitations that apply if the activity is not a business. Appropriate guidelines should be followed to determine whether an activity is a business or a hobby; an activity not engaged in for profit. In general, taxpayers may deduct ordinary and necessary expenses for conducting a trade or business. An ordinary expense is an expense that is common and accepted in the taxpayer's trade or business. A necessary expense is one that is appropriate for the business. Generally, an activity qualifies as a business if it is carried on with the reasonable expectation of earning a profit.

In order to make this determination, taxpayers should consider the following factors:

- Does the time and effort put into the activity indicate an intention to make a profit?
- Does the taxpayer depend on income from the activity?
- If there are losses, are they due to circumstances beyond the taxpayer's control or did they occur in the start-up phase of the business?
- Has the taxpayer changed methods of operation to improve profitability?
- Does the taxpayer or his/her advisors have the knowledge needed to carry on the activity as a successful business?
- Has the taxpayer made a profit in similar activities in the past?
- Does the activity make a profit in some years?



- Can the taxpayer expect to make a profit in the future from the appreciation of assets used in the activity?

The Internal Revenue Service presumes that an activity is carried on for profit if it makes a profit during at least three of the last five tax years, including the current year – at least two of the last seven years for activities that consist primarily of breeding, showing, training or racing horses.

If an activity is not for profit, losses from that activity may not be used to offset other income. An activity produces a loss when related expenses exceed income.

Deductions for hobby activities are claimed as itemized deductions. These deductions must be taken in the following order and only to the extent stated in each of three categories:



- Deductions that a taxpayer may take for personal as well as business activities, such as home mortgage interest and taxes, may be taken in full.
- Deductions that don't result in an adjustment to basis, such as advertising, insurance premiums and wages, may be taken next, to the extent gross income for the activity is more than the deductions from the first category.
- Business deductions that reduce the basis of property, such as depreciation and amortization, are taken last, but only to the extent gross income for the activity is more than the deductions taken in the first two categories.

Business Milestone



This year, Grimaldi & Nelkin celebrates its 40th anniversary. Our firm was profiled in the Central New York Business Journal on July 23rd (coincidentally on Ray Grimaldi's birthday)! We look forward to many more years of continued success in serving the needs of our clients.



■ Referrals Appreciated

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