

IRS Help, News, and More

THE IRS TATTLER

8th Edition

August 2018


TRAVIS W. WATKINS
TAX RESOLUTION AND ACCOUNTING FIRM



*Do you feel guilt with the
sense of shame about
your tax issue?*

Let me share the best advice you can get if you feel guilt or shame about your tax problem, or you worry about what the IRS is going to do next.

If you think about it, guilt and worry are really two sides of the same useless coin. Guilt is an immobilizing emotion that results from something in the past. Worry is a false concern about something in the future.

Let's unpack this.

Guilt arises from something you did or didn't do in the past. You didn't file your tax return when it was due. You didn't pay the tax you owed. Now you feel shame. Think about it.

Imagine loading your cart full of groceries with a long line behind you. You get to the check out counter and try to charge your bank card. **DECLINED.** You feel ashamed. You feel immobilized. Turns out you've been levied by the IRS. I don't even need to say anything! What a powerful emotion. The message comes through loud and clear.

Now, I say guilt is a useless emotion because the past is the past. There is absolutely no way I can do anything about it. Think about this, you were a contractor and business is now really slow. Now you feel the guilt of not being able to provide for your family and you can't pay your taxes. All you can do from the past is learn from it (if there is a lesson to learn) and move on.

In the tax context, you can't let the past immobilize you. File those old returns. Get a trusted bookkeeper to organize you and keep you on track. Pay your quarterly taxes. Then, file next year and the year after that. Action gives way to confidence and success.

The flip side of guilt and shame is worry. It's a powerful emotion too, but just as worthless because it can do nothing for you but immobilize you.

Worry can be broken down into two categories. The first group is worry over things in the future, for which you have absolutely no control. Will I get picked for a random audit by the IRS? Will the IRS send out thousands more agents into the field? You can't do anything about these future possibilities, so it is useless to spend time or energy thinking about it.

The second group of worry is more common but still useless. These worries arise from things in the future that you can do something about. Is the IRS going to drain my bank account or take my wages? Think about it, though. You can do something about this. You could pay and end the threat today. If you can't pay your tax debt, you can call a local, licensed attorney to negotiate a settlement. If you're unable to pay an attorney a retainer and big monthly fees, you can find an attorney who will quote you a fixed fee and pay in installments. In other words, you can take control of the situation, and that's perhaps the best news there is. It is useless to become immobilized, because this is within your realm of things you can control by acting.

There is more great news here too. Those mistakes, those events that may have caused you to fail to file and/or pay over the years may be what the IRS considers to be "reasonable cause" for forgiving the stifling penalties they charge. Believe me, if you can explain to a licensed tax attorney that your health, your age, your divorce, your addiction (the list goes on and on) were factors in your tax problem, your attorney can make this a possible resolution with the IRS. Your chances are greatly improved with the assistance of Travis W. Watkins Tax Resolution and Accounting Firm. So, act and give us a call to get started today at **800-721-7054** or visit **TravisWatkins.com** for more information.



TRAVIS W. WATKINS
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In This Issue:

- Guilt/Shame
- Medical Marijuana
- Client Resolution
- Meet Our Team
- Facts Vs. Myths
- Celebrity Tax News
- Deadlines
- Coupon

2837 NW 58th St.
Oklahoma City, OK 73112
405.607.1192

13727 Noel Rd. Tower II,
Suite 282 Dallas, TX 75240
972.778.8200

1831 E. 71st St.
Tulsa, OK 74136
918.877.2794

3750 West Main St.
Norman, OK 73072
405.607.1193

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www.TravisWatkins.com

1.800.721.7054

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Featured On:           Se Habla Español



Travis W. Watkins was interviewed by The Oklahoman on how to navigate the emerging tax laws for marijuana facilities. What are you able to exempt from the Cost of Good Sold? Do you know? New rules and regulations will emerge over time. The best option you have right now is being proactive and making sure you work within the framework preventing tax problems.

When Oklahoma voters passed State Question 788 making medical marijuana legal in the state, there was much talk about potential tax revenue for the state, but how are dispensary owners and their taxes affected by the new reality?

"Aside from any and all moral or political statements on this issue, it is vital that people entering this business, follow the emerging rules," said Oklahoma City tax attorney Travis Watkins. "The State Department of Health will issue seller, grower, packaging, transportation, research and caregiver licenses. Individual and retail businesses must meet requirements to be licensed to sell marijuana to licensees. There are still so many unknowns, and the last thing you want to do is start off on the wrong foot."

While the movement to legalize marijuana has gained steam on a state level, the federal government hasn't budged on the issue. As a result, marijuana is still treated as a controlled substance. This means, for example, transporting pot across state lines is illegal. Due to these issues, there are some tax issues a dispensary should consider, Watkins said.

Tax issues related to marijuana

One of the laws that affects those who sell marijuana is Section 280E of the Internal Revenue Service code. This law states that a deduction is not allowed for any amount of money spent that relates to the trafficking of a controlled substance. "Since marijuana is a Schedule I controlled substance, the Internal Revenue Service (IRS) has the ammunition needed to deny most common business deductions made by the facilities (dispensaries) that sell this drug," he said.

However, case law has carved out some exceptions for the Cost of Goods Sold (COGS). For a dispensary, this means they can deduct product and product transportation but not rent or labor, for instance. It is worth noting that growers get more lee-way for deduction such as repairs, maintenance, rents and equipment. "There are many federally legal businesses that are able to remain afloat because they are able to deduct (COGS). Some crafty dispensaries in other states have strained the limits of COGS to include almost every type of business expense. These cases show that COGS is not nearly so broad," Watkins explained.

So, what does this mean for Oklahoma?

"There are still a lot of unknowns, and it is expected that new rules and regulations will emerge over time. From cases at this point it can be determined that COGS includes only the expenses associated with the production of a product," Watkins said. "For cannabis producers, that means costs such as seeds, soil, water, and nutrients, and expenses related to the cultivation and harvesting of the plant are deductible," he said. "However, costs associated with distribution, sale, administration, management, promotion, advertisement, overhead and support are not allowable. These include rent, shipping, most employee expenditures, most contractor expenses, legal, management, accounting, overhead, compliance, etc." For dispensaries today, the best option they have right now is being proactive and making sure they work within the framework preventing tax problems.

"Speak with a qualified accountant or lawyer to find out what options you have and what the best option is to help properly classify tax-related expenses, comply with the emerging new laws and avoid audits," Watkins said. "The time to do that is now. In the long run, this will provide you with the most up-to-date information and help ensure you don't have to pay too much to run and manage a marijuana dispensary business."

However, Watkins also said it is important to ask the right questions before hiring a tax or accounting expert. "This situation is new to Oklahoma, and it will take some time until they have been worked into our local guidelines and regulations. It requires research, so make sure anybody you work with is well-informed," he said. "Don't be afraid to ask some pointed questions to evaluate the depth of knowledge your accountant or tax specialist may have."

Should you choose to navigate this potential minefield alone, and run into issues, people can hire a local licensed tax professional to represent business owners during an audit, as well as for representation in any later resolution of IRS collection efforts. "You would have the right to be represented by a professional just like any other small business owner in Oklahoma," Watkins said.

Beyond the business implications, it is expected that the measure will generate tax revenue for the state. The initiative provided for a 7 percent excise tax on marijuana sales. Going into the election, the Oklahoma Tax commission said because there was currently no statute exempting medical marijuana from sales tax, the 7 percent excise tax will be added on to the state's sales tax, adding up to about 16 percent. The tax on medical marijuana in Oklahoma is among the highest in the nation-trailing only after Washington.

Revenue from the tax will finance regulatory costs, and surplus may be distributed as 78 percent to the General Fund to be used for education, and 25 percent to the Oklahoma State Department of Health to be used for drug and alcohol rehabilitation.

Call **800-721-7054** for your free consultation or visit **TravisWatkins.com** for more information.

*Client Saves Over \$30,000
From The IRS!*



taxes



A small business owner didn't know where to turn when he ran into some financial trouble with the IRS. His business was doing well and he placed most of his earnings into the stock market. Once he did this, his business and stocks failed to provide for him and his family. On top of this struggle, he owed the IRS \$177,892.46. We were able to do a full investigation over his case with a customized actionable plan and have the IRS waive all penalties totaling \$31,084.65!

Speak with a qualified accountant or lawyer to find out what options you have. Your chances of resolving your tax issues are greatly improved with the assistance of Travis W. Watkins Tax Resolution and Accounting Firm. So, act and give us a call to get started today at 800-721-7054 or visit TravisWatkins.com for more information.

MEET OUR TEAM

-Freddy Dinang, Bookkeeper and Accounting Clerk



Freddy Dinang is a Bookkeeper and Accounting Clerk at Travis W. Watkins Tax Resolution and Accounting Firm. He's a native Cameroon, where he lived until he was 13 years old, before moving to the U.S. Virgin Islands where he attended Charlotte Amalie High School. He then moved

to Oklahoma to attend Southern Nazarene University, where he graduated with a Bachelor's degree in Accounting and played four years of Division II soccer on scholarship. Freddy also has valuable experience as an accounting intern at the Virgin Islands Department of Tourism.

His hobbies include reading, spending time with friends, and playing soccer. He also loves to travel, visit his parents in the Virgin Islands, and his family in Africa.



Sifting through the myths on tax reform is like playing a game of truth or dare, except choosing incorrectly can cost you a lit of money and invite an IRS audit. Let's debunk the top myths to gain a better understanding of how the new laws impact what you pay in April.

Tax Reform Will Make it Easier to File Returns

Simplification was the main goal of the tax reforms, and the new rules to simplify filings for many taxpayers. In fact, one in five filers will switch to the standard deduction versus itemizing expenses. They won't need charitable-donation receipts and other proof of deductions or expenses. However, for most people, tax-return isn't simpler, especially if you itemize.

State Taxes Won't Be Affected

Actually, most state taxes are based on federal income taxes. Many people think the federal tax reforms won't impact their state's income tax, but that's incorrect. The majority of states use federal tax code characteristics as the basis for state tax computation. For instance, Oklahoma's tax brackets are based on the federal income brackets.

State exemption credits will be impacted if they're tied to the federal personal exemptions since federal personal exemption has been eliminated.

There's a Bonus Depreciation for Medical Marijuana Dispensaries

The tax reform grant a 100 percent immediate deduction for specific capital expenditures, known as a "bonus depreciation." It's a huge benefit for non-plant-touching cannabis dispensaries and businesses with high fixed asset expenses.

Plant-touching enterprises are eligible for this depreciation recovery as it pertains to "cost of goods sold" depreciation, due to 280E. The inventory tax regulations also typically require the less advantageous rules of Generally Accepted Accounting Principles for depreciation computations. GAAP is much less likely to permit bonus depreciation.

Reform Means You Can't Deduct Mortgage Interest

Most homeowners can still deduct mortgage interest. The reform does change the cap on mortgage interest to \$750,000 on your primary home and an additional residential dwelling. That covers loans on most U.S. homes, since the average sales price is \$246,000, per the National Association of Realtors.

Thanks to the Tax Cuts and Jobs Act, most taxpayers will experience a jump in taxable income for 2018. This is due to changes to deductions and the elimination of many tax breaks. At the same time, tax rates have mainly decreased. The expectation is that most taxpayers will pay less under the changes. Among those who can expect higher taxes are high-income residents in high-tax states or those with multiple homes.

A well-informed tax law professional can help you achieve lasting improvements in your financial health. Don't let fear of the unknown stop you from taking ownership of your taxes. If you are being levied, have a lien, being audited, or have unfiled tax years there are many options that we can provide to give you a good night's sleep again. Be proactive and call a tax attorney that deals with the IRS every day! Having the feeling of being underrepresented is a struggle of itself, call Travis W. Watkins Tax Resolution and Accounting Firm for your Free consultation at 800-721-7054.

IRS SAYS, "I'LL TELL YOU WHAT I WANT" TO SPICE GIRL MEL B *Scary Spice and her estranged ex-husband owe quarter of a million in back taxes for the year 2016.*

Mel B, the Spice Girl known as Scary Spice, and her estranged ex-husband owe \$274,863.99 in back taxes to California, according to reporting by *The Blast*.

It wasn't specified in the documents which party would be responsible to pay the back taxes, or if the exes would have to split the debt.

Mel B, and Brown have gone through an

acrimonious divorce after filing in March 2017. In court documents, Mel B alleged her ex-husband showed their young children violent videos made by the Islamic State terrorist organization.

As part of the Spice Girls, Mel B was involved in the best-selling female music group of all time. She then went on to have a solo music career and was a contestant on *Dancing With the Stars*.



Sager, J. (2018). <https://people.com/>. [online] PEOPLE.com. Available at: <https://people.com/music/melanie-brown-new-temporary-restraining-order-stephen-belafonte/> [Accessed 27 Jul. 2018].



TRAVIS W. WATKINS

— TAX RESOLUTION AND ACCOUNTING FIRM —

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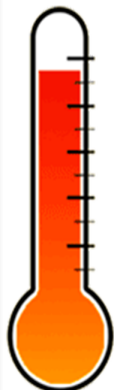
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2837 NW 58TH ST.
OKLAHOMA CITY, OK 73112

13727 NOEL RD TOWER II
SUITE 282
DALLAS, TX 75240

1831 E. 71ST ST.
TULSA, OK 74136

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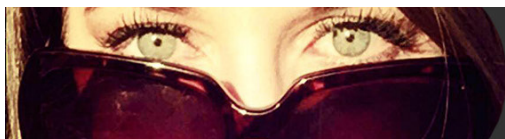
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IRS PROBLEMS?

TRAVIS W. WATKINS
— TAX RESOLUTION AND ACCOUNTING FIRM —

TRIVIA QUESTION:

WHICH PRESIDENT STARTED THE PRACTICE OF RELEASING HIS TAX RETURNS?

A) President Nixon

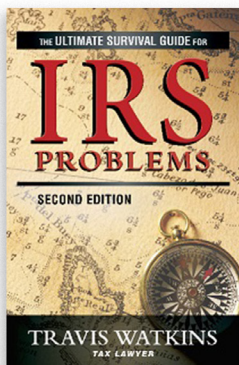
B) President Reagan

C) President Carter

PREVIOUS QUESTION/ANSWER:

WHAT FAMOUS BAND HAD A HIT RECORD WITH A SONG ABOUT TAXATION?

A) THE BEATLES



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IRS Survival Book

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DEADLINES:

- 8/1/18 Federal unemployment tax. Deposit the tax owed through 06-if more than \$500.
- 8/1/18 If you maintain an employee benefit plan, file Form 5500 or 5500EZ for year 2017.
- 8/10/18 If you received \$20 or more in tips during July, report them to your employer.
- 8/10/18 Social security, Medicare, and withheld income tax File Form 941 for the second qtr. of 2018.
- 8/15/18 Social security, Medicare, and withheld income tax if the monthly deposit rule applies, deposit the tax for payments in July

