KOS
KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

BOTTOM LINE BULLETIN

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KOS
NEWS

Welcome to our new Accounting & Auditing Manager, **Helen Blovsky**! We are excited and happy to have her be a part of the KOS team!

KOS is celebrating many anniversaries this month!

Catherine Rieck–1 year
Leanne Berry–2 years
Marta Sukiennik–2 years
Joyce Campobasso–4 years
Steve Lombardo–4 years
Jeff Arnol-26 years

Tips for Teaching Kids about Money Management

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By now our kids are well into the school year taking part in daily classroom activities. Whether they are learning their A-B-C's or studying advanced calculus, as parents it is up to us to teach our kids one of life's many great lessons: money management. We are the primary influence on our kids' financial behaviors. Teaching them about money management will help them develop the skills they need to be smart with their finances and wise spenders. It will also help shape them into self-sufficient adults equipped with the important financial skills needed to navigate life.

According to 360financialliteracy.org, children realize at a young age that money is used to buy the things that they want, even though they do not necessarily understand where the money really comes from. The best time to start teaching them how to handle money sensibly is as soon as they become interested in it. Every day brings an opportunity for simple money teaching moments. The sooner we start incorporating those lessons into everyday life, the better off our kids will be.

A simple way to introduce the concept of saving money is to create three jars for each child labeled "Saving," "Spending" and "Sharing." Every time your kids receive money that is not for a specific purpose, divide it among the three jars. You can determine how much goes into each jar. With older children, you can decide the amounts together. Let your child use the money in the spending jar for small purchases. Money in the sharing jar can be used to donate to a cause of their choice.

To help them avoid spontaneous purchases, have them set a financial goal. Every time your kids add money to the savings jar, help them count up how much they have, talk with them about how much more they need to reach their goal, and how soon they will reach it. Beth Kobliner, author of *Get a Financial Life,* says, "Make sure it is a goal they can reach within a reasonable timeframe and not too far out in the future. Young children may lose interest in goals that take longer than a week or two to reach. Then it just gets frustrating, and it gets hard for them to wrap their head around. It is really more about her being cognizant that she is saving for a goal than, 'Oh, I really need her to scrape together those $10 to buy the tutu.' You want to set them up for success. All those behaviors are really fun for kids. It gives them a sense of the importance of waiting and being patient and saving."

As they get older they will begin to understand the difference between long-term and short-term saving and will be able to set goals further out in the future, such as saving for a remote control car next summer versus new ear buds this month.

Continued

KOS NEWS

It has been a whole year since we announced our merger with Ruzicka & Associates! It has been great having Tony, Anne and Carl Ruzicka as part of the KOS team!

After 17 years as the dedicated KOS Firm Administrator, Norine Yedlin will be retiring at the end of the year. We will miss her tremendously but wish her all the best in the future!

Leanne Berry was a panelist at the Women in Business Professions: "Women in the Workplace" ethical discussion held at Northern Illinois University last month.

Tips for Teaching Kids about Money Management

Continued

Take them to the bank to open an account to help them learn how a savings account works. Many banks have programs that provide activities and incentives designed to help children learn financial basics.

In addition to learning how to save, your kids need guidance on how to make good spending decisions. Children are not born with the ability to spend money wisely, yet they are constantly tempted via advertising and peer pressure. To help your kids become smart spenders, help them do their research on what they really want and compare prices before they spend. Help them understand the importance and value of finding the best quality and deal. Have them think about whether they really want an item before they part with their money.

Take your kids with you when you go grocery shopping. As you shop, point out an item, help them find the price, and explain why you are choosing to buy one brand and size rather than another. This will teach them how to compare quality and prices. When all is said and done, even if you think your kids are about to waste their money on a fad that will soon become unpopular, you might want to let them go ahead and buy the item anyway, because it might just teach a lasting lesson. "It is okay to let your kids make mistakes," says 360financialliteracy.org. "If the toy your child insists on buying breaks, or turns out to be less fun than it looked on the commercials, eventually your child will learn to make good choices even when you are not there to give advice."

Personal financial expert Suze Orman suggests that when you sit down to pay the bills have your kids sit down with you. Share with them how much it costs to live in the house. This will not only help them understand that parents actually pay money to watch satellite channels and log on to the internet, but it will also give them clear, concrete examples of what it really does cost for basic every day needs – it may surprise them to learn that running water and electricity are not automatic, we get them because we pay for them.

As parents, talking to our kids about how we make every day financial decisions and using real life examples will not only help raise them to be more in-touch with money that out-of-touch, but it will also help build in them a firm foundation and confidence about money management that will help them make responsible financial choices as they grow up and navigate life – lessons that cannot be taught in a classroom.

KOS is a place where you can build a career that incorporates interesting assignments, training for new skill sets, a great company culture, and a reasonable balance between working and down-time.

Our firm is currently seeking talented, entrepreneurial-minded, advancement-oriented individuals for the following openings: Staff Accountant and Accounting & Auditing Senior/Supervisor. We are always interested in talking to candidates with at least three years of tax experience as well.

We offer a flexible work environment, good benefits and competitive compensation. If you or anyone you know may be interested, please visit www.koscpa.com/careers for more information.

Tax Notices

Bruce Kreisman, Tax Supervisor ***bkreisman@koscpa.com***

Receiving a tax notice from the IRS or a state department of revenue may not be what you were hoping for in the day's mail. But in many cases the notice can be resolved both quickly and painlessly.

A taxing authority such as the IRS or the Illinois Department of Revenue will issue a written notice under various scenarios, some of which are discussed below. (Note that initial contact is always by mail; if you receive a phone call purportedly from the IRS or other tax authority it is fraudulent and you should hang up without revealing any personal information.) The notice will set forth the reasons for its issuance and, if applicable, the additional tax it asserts is due, often adding interest and penalties to the assessment. The notice typically also sets forth a due date for response from the taxpayer. They may also give a telephone number, but in our experience it's preferable to respond to most notices in writing, both because of the written record it produces and to avoid long hold times.

Our initial step in analyzing a tax notice is to determine its nature. Many propose an adjustment to tax, often an increase, but sometimes a decrease. The most common reason for adjusting tax upward is understatement of income. For example, the IRS may say it received information from a broker or other payor reporting income, which it believes the taxpayer did not pick up on the tax return. Another frequent occurrence is a mismatch between tax payments on record with the taxing authority and payments reported on the tax return; while this will not change the tax computation, it will affect the refund or payment due. In these cases it's usually a straightforward analysis as to whether or not the IRS is factually correct. Sometimes they are, sometimes not. If they are correct, the matter is resolved by paying any amount due. But if we believe the notice is erroneous, we've found the most successful approach to challenging it is to write and submit a clear and succinct response explaining why we are contesting the notice and including supporting documentation backing up our position. Our approach frequently succeeds in abating the assessed tax after a single letter. Occasionally the matter is prolonged and results in multiple communications. In the rare case where a satisfactory result isn't obtained we will address available options with our client.

Other notices require a more comprehensive approach. For example, the notice may question the manner in which an item was (or was not) reported, and the response may require discussion of the tax code or regulations or other authority. Again, clarity of response is crucial. If the IRS representative doesn't understand the position set forth in the response, they are unlikely to change their original assessment.

Still other notices are basically seeking information. For example, the State of Illinois does not receive copies of W-2s from employers, so they may ask for a copy of the W-2 to support the tax withholding claimed on the tax return.

In any event, should you receive a tax notice it is important that you not disregard it, whatever the nature of the notice may be. And don't panic. We urge you to promptly forward a copy to your KOS professional so we can determine the appropriate response. If a taxpayer disregards the initial notice and there's additional tax due, further notices will be issued. As time elapses the notices get more severe in nature, and will eventually result in a notice of lien or an intent to levy. Taxpayers do not want to find themselves in a lien or levy situation, and the best way to avoid those is to promptly address the initial notice.

Bruce Kreisman, a KOS tax supervisor, has addressed many tax notices through the years. Please contact Bruce at bkreisman@koscpa.com or 847-580-4100, extension 139.

Introduction to the New Credit Cards

Changes for businesses in the works

Credit card issuers are continuing to roll out new cards designed to deter identity (ID) theft. That is good news for consumers who might otherwise be victimized by thieves stealing their personal information. However, the responsibility for losses resulting from ID theft has also shifted, resulting in changes for business entities of all shapes and sizes.

The new types of cards are called EMVs, short for Europay, MasterCard and Visa, three of the major credit card issuers. EMVs use new technology based on a computer chip, normally located in a small square on the front of the credit card. With this square, which replaces the long-used magnetic strip on the back of cards, a unique transaction code is created whenever the card is used. If an ID thief tries to use the information gained from your last credit card transaction, access will be denied.

These high-tech cards have been used successfully around the globe, notably in Europe and Canada, and already represent the majority of credit cards being used worldwide. In the United States, the first wave of cards contained both the square and the magnetic strip. Eventually, cards with magnetic strips will be phased out.

Although EMVs should not be viewed as a panacea, this is a positive step in improving ID theft protection.

But consumers are not the only ones affected by the change. Naturally, businesses must make the necessary accommodations to accept the new cards. What's more, the changes do not stop there.

Effective October 1, 2015, liability for a loss from credit card fraud has shifted from the credit card issuer to a noncompliant merchant at the point of sale. For instance, if your business does not comply with the new technology and sells goods to an ID thief, you are liable for payments erroneously charged to the consumer. This is a significant change.

Typically, a business will have to accommodate EMVs by installing new terminals at their purchase points. Many have already made the switch. For instance, if you run a restaurant or a hardware store with several cash registers, you will need a new terminal for each cash register. This is a relatively small cost to ensure greater protection against ID theft and liability to your company.

There is no legal requirement to make immediate changes to accommodate EMVs, but it is likely in your best interest to do so. This is an evolving situation, so stay on the alert for future developments or contact your KOS advisor if you have any concerns.

Timely Point of Particular Interest

Manufacturing Deductions

Under Section 199 of the tax code, a business may claim a "manufacturing deduction" equal to 9% of its qualified domestic production income, subject to a limit of 50% of W-2 wages paid out during the year. Now the IRS has issued new regulations clarifying the rules on the W-2 limit in a short tax year. See your KOS tax advisor for details.