

CBA-Family Law Section February Luncheon

Discovery of Hidden Assets in Divorce

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Finding the Money!

Sometimes, "finding the money" is not as easy as it should be, primarily because assets may be actively concealed from discovery by a party and the spouse who actively seeks to conceal the existence of an asset in a divorce case has a distinct advantage over the spouse who seeks to discover it.

More frequently is the circumstance in which assets are overlooked or not considered. Sometimes such assets are not what we normally consider to be "property," but may nevertheless be quantifiable and may constitute a marital asset under state law.

Where to Look

Income Tax Returns

Income tax returns are the first place to look for possible clues as to the existence of undisclosed assets. They provide the roadmap to the discovery of income earning assets and asset sales. Supporting documentation for the tax return such as W-2's, K-1's, 1099's 1098's, etc. should also be reviewed.

Form 1040, Page 1

- Wages, salaries, tips, etc.
Examine employee's copy of the W-2 since certain fringe benefits and deferred compensation are not taxable and will not be reflected on the tax return. The final pay stub for the year should agree to the W-2.
- Interest and dividend income
Entries here reveal whether there are income-earning investments which must be identified. Interest and dividend entries which exceed \$400 require the filing of a Schedule B with the return, which will specifically identify the income-generating investment.

Tax-exempt interest which may not otherwise be disclosed is reflected on Line 8b; it is also possible that tax-exempt income is reported on the state tax return, and not the federal.
- Taxable refunds of state and local taxes
A spouse who overwithheld state income taxes last year may also overwithhold in the current year.

State income tax refunds are only taxable to the extent that a benefit was realized by deducting the state taxes.

- Retirement plan distributions
Distributions may indicate the existence of previously undisclosed retirement plans.
- Adjusted Gross Income IRA and Qualified Plan deductions
Entries here may also indicate the existence of retirement plans

Form 1040, Page 2

- Foreign tax credit
Indicates taxes were paid to a foreign country as a result of a property disposition, investment income or salaries earned.
- Alternative Minimum Tax
Form 6251 contains the alternative minimum tax calculation, which was originally designed to prevent taxpayers from using shelters and credits to reduce or eliminate tax that would normally be due. The tax preference items reflected on Form 6251 may reflect starting points for the discovery of hidden assets.
- Total tax
Prior year taxes should be reconciled to current withholding on paystub to assure that spouse is not deliberately overwithholding.
- Loss carryforward and other credits
The parties may be entitled to credit previous losses against income, and to carry this credit forward annually in increments.

This is an often overlooked asset that may have significant financial benefit.
- Withholding taxes
In addition to wage withholding, the taxes may relate to distributions from retirement plans and asset dispositions.
- Taxes due/overpaid
If taxes were overpaid in a prior year, they may also be overpaid in the current year

Schedule A – Itemized Deductions

- State and local income taxes
May indicate taxes paid in another state
- Real estate and personal property taxes
May indicate existence of property

- Interest paid, mortgage interest and points
Interest deductions indicate the existence of loans which should be identified.

Loans may also lead to the loan application that was filed to obtain the loan in the first place.
- Investment interest paid
This entry may reflect the existence of a liability related to an investment which may include a margin account.
- Casualty and theft losses
If a loss is reported, the disposition of any insurance proceeds received should be confirmed.
- Miscellaneous deductions
May indicate the existence of a safe deposit box and other income-producing assets.

Deductions for estate planning advice may lead to the existence of an estate planning file containing information about the entire estate.

Schedule B – Interest and Dividend Income

Schedule B lists specific sources of interest and dividend income, and when properly prepared should show the precise name of the investment upon which the income is generated.

- Part I - Interest
Excludable interest on US savings bonds may indicate the presence of these assets.
- Part III – Foreign Accounts and Trusts
An entry in this section may be the only clue whatsoever about the existence of what is commonly called a "foreign asset protection trust."

Schedule C – Profit or Loss from Business

Schedule C may reflect the existence of a side business. One reason for the existence of a side business may be to allow for the creation of a Keogh plan.

Schedule D – Capital Gains and Losses

Schedule D reflects the sale of property for gain or loss. It is important, in the hidden asset context, because it provides a starting point for the tracing of proceeds from the sale of the property.

The form may reflect the existence of long-term capital loss carryovers which should be considered in the marital estate.

Schedule E- Supplemental Income and Loss

Schedule E shows rental properties, as well as income from partnerships, S corporations, estates and trusts and may show the existence and location of any property generating rents, as well as the existence of investments in partnerships and "S" corporations.

The form may reflect passive activity loss carryovers that should be considered in the marital estate.

The income from trusts and estates should also be analyzed to assist in identifying trusts that may be marital property.

Personal Financial Statements, Loan Applications and Credit Reports

Personal financial statements and loan applications are typically prepared in anticipation of obtaining bank financing and show each asset the individual owns, along with an estimate of its value.

As a practical matter, it is likely the spouse will try to present his financial status in the best possible light for purposes of the loan application.

Credit reports indicate the existence of current and past lending institution and credit card company relationships.

County Tax Assessor's Office

A title search may provide information regarding undisclosed real estate that is owned by a spouse

Bank Statements and Credit Cards

One of the first steps in determining whether there is unreported income and/or hidden assets is to look at the lifestyle of the parties and match it with the income being reported plus the debt that is being assumed.

Bank deposits, bank withdrawals and credit card expenses are used to reconstruct the parties' cash flow. Reviewing canceled checks can reveal payments to friends or relatives. Deposits that cannot be accounted for may be indicative of unreported income.

If necessary, a cash flow examination can be conducted by preparing a spread sheet which lists each and every infusion of cash to the parties during the period in question. Cash infusions relevant to this purpose include income from employment, proceeds realized from the sale of assets, loans taken out from banks or from the parties' closely held or professional corporation, income tax refunds paid to the parties, etc. After

accounting for all cash coming in to the marriage during the relevant period, all known expenditures are deducted. Most of these are obtained from the parties' tax returns and from canceled checks and credit card statements. The excess of cash received over known expenditures may indicate the existence of an undisclosed asset such as a bank account or other investment.

Business Interests

The existence of a business as a separate entity provides another opportunity to hide assets. Closely-held businesses generally do not have adequate accounting controls in place and the owner is able to control cash flow and make entries to the accounting records.

Balance Sheet

- Cash

“Skimming” is the removal of cash from an entity prior to its entry in the accounting system.

In order to determine if the cash balance is understated, it is necessary to understand the income flow of the company, how it sells, what it sells and to whom it sells.

Deposit slips should be reviewed to see if cash is being deposited. An absence of cash deposits in a retail business or in a medical practice (patient co-payments) may indicate unreported income.

- Accounts Receivable

Payments received on account may not be recorded as collected and the funds may not be deposited into the company's bank account. The accounts receivable balance is then written-off as uncollectible or bogus credits are issued to clear the balance.

Accounts receivable balances will not appear on the tax return balance sheet of a corporation that is on the cash basis of accounting.

- Work-in-Progress

This asset typically does not appear on the balance sheet.

- Patents and Copyrights

These assets are usually not recorded on the balance sheet unless they have been acquired from an outside party.

- Inventories

Many small companies do not maintain accurate inventory records and the inventory balance may be understated.

Income Statement

- Sales

Sales may be understated if the business has significant cash sales (i.e., restaurant, small construction company, dry cleaner, liquor store).

Unreported income can also come from checks, particularly with professionals where clients will sometimes issue checks that are payable to the individual rather than the business entity.

Individuals and partnerships may receive 1099's which should be examined.

- Expenses

Non-business expenses may simply be recorded as purportedly legitimate business expenses.

A salary may be paid to a "ghost employee" who either performs no services for the company or does not exist at all. Payments may also be made to the children or "friends" of the business owner.

A salary paid to an actual employee may be significantly in excess of market compensation for the services rendered indicating the possibility of a personal relationship between the business owner and the employee

Techniques to Find Business Fraud

- Ratio analysis
- Trend analysis
- Data mining using specialized software such as IDEA ®

Employment Assets

- Employer reimbursements to employees for business expenses incurred by the employee
- Defined benefit plans, especially if the employee participated in more than one defined benefit plan under the auspices of a single employer
- Stock options
- Restricted stock

- Incentive/bonus plans payable in future years for services rendered during the marriage
- Deferred compensation plans

Foreign Asset Protection Trusts

Foreign Asset Protection Trusts are extremely discreet entities, and few, if any, clues may exist as to their creation and presence. The only clue may be foreign trust income which is declared on Schedule B of the Form 1040, at lines 7 and 8. Since these trusts are treated as "grantor" trusts for U.S. Tax purposes, the income generated on the trust should be reported. These trusts are typically established in remote offshore financial centers such as the Cook Islands, the Bahamas, the Caymans, Gibraltar, Mauritius, and Turks and Caicos. Such Asset Protection Trusts are attractive to individuals desiring minimize personal exposure to liability in a variety of contexts. Typically, these trusts are established under the laws of a foreign jurisdiction providing more favorable and protective treatments for the individual establishing the trust than do the laws of the United States. The trusts are governed by the law of the jurisdiction in which the trust is created and United States law does not apply.

Miscellaneous Assets

- Baseball cards and other collectibles
- Pending claims for monetary damages
- Pending personal injury claims
- Insurance company claims
- Mineral rights

Label

(See instructions on page 14.) Use the IRS label. Otherwise, please print or type.

Label Here

For the year Jan. 1–Dec. 31, 2008, or other tax year beginning , 2008, ending , 20 OMB No. 1545-0074 Your first name and initial Last name Your social security number If a joint return, spouse's first name and initial Last name Spouse's social security number Home address (number and street). If you have a P.O. box, see page 14. Apt. no. City, town or post office, state, and ZIP code. If you have a foreign address, see page 14. You must enter your SSN(s) above. Checking a box below will not change your tax or refund.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) You Spouse

Filing Status

Check only one box.

- 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (see page 16)

Exemptions

If more than four dependents, see page 17.

6a Yourself. If someone can claim you as a dependent, do not check box 6a 6b Spouse 6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 17) 6d Total number of exemptions claimed

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 8a Taxable interest. Attach Schedule B if required 8a 8b Tax-exempt interest. Do not include on line 8a 8b 9a Ordinary dividends. Attach Schedule B if required 9a 9b Qualified dividends (see page 21) 9b 10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22) 10 11 Alimony received 11 12 Business income or (loss). Attach Schedule C or C-EZ 12 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 13 14 Other gains or (losses). Attach Form 4797 14 15a IRA distributions 15a b Taxable amount (see page 23) 15b 16a Pensions and annuities 16a b Taxable amount (see page 24) 16b 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 18 Farm income or (loss). Attach Schedule F 18 19 Unemployment compensation 19 20a Social security benefits 20a b Taxable amount (see page 26) 20b 21 Other income. List type and amount (see page 28) 21 22 Add the amounts in the far right column for lines 7 through 21. This is your total income 22

Adjusted Gross Income

23 Educator expenses (see page 28) 23 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24 25 Health savings account deduction. Attach Form 8889 25 26 Moving expenses. Attach Form 3903 26 27 One-half of self-employment tax. Attach Schedule SE 27 28 Self-employed SEP, SIMPLE, and qualified plans 28 29 Self-employed health insurance deduction (see page 29) 29 30 Penalty on early withdrawal of savings 30 31a Alimony paid b Recipient's SSN 31a 32 IRA deduction (see page 30) 32 33 Student loan interest deduction (see page 33) 33 34 Tuition and fees deduction. Attach Form 8917 34 35 Domestic production activities deduction. Attach Form 8903 35 36 Add lines 23 through 31a and 32 through 35 36 37 Subtract line 36 from line 22. This is your adjusted gross income 37

Tax and Credits

Standard Deduction for—

- People who checked any box on line 39a, 39b, or 39c or who can be claimed as a dependent, see page 34.
• All others:
Single or Married filing separately, \$5,450
Married filing jointly or Qualifying widow(er), \$10,900
Head of household, \$8,000

38 Amount from line 37 (adjusted gross income)
39a Check if: [] You were born before January 2, 1944, [] Blind. Total boxes checked
b If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here
c Check if standard deduction includes real estate taxes or disaster loss (see page 34)
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 If line 38 is over \$119,975, or you provided housing to a Midwestern displaced individual, see page 36. Otherwise, multiply \$3,500 by the total number of exemptions claimed on line 6d
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see page 36). Check if any tax is from: a [] Form(s) 8814 b [] Form 4972
45 Alternative minimum tax (see page 39). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Credit for the elderly or the disabled. Attach Schedule R
50 Education credits. Attach Form 8863
51 Retirement savings contributions credit. Attach Form 8880
52 Child tax credit (see page 42). Attach Form 8901 if required
53 Credits from Form: a [] 8396 b [] 8839 c [] 5695
54 Other credits from Form: a [] 3800 b [] 8801 c []
55 Add lines 47 through 54. These are your total credits
56 Subtract line 55 from line 46. If line 55 is more than line 46, enter -0-

Other Taxes

57 Self-employment tax. Attach Schedule SE
58 Unreported social security and Medicare tax from Form: a [] 4137 b [] 8919
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
60 Additional taxes: a [] AEIC payments b [] Household employment taxes. Attach Schedule H
61 Add lines 56 through 60. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

62 Federal income tax withheld from Forms W-2 and 1099
63 2008 estimated tax payments and amount applied from 2007 return
64a Earned income credit (EIC)
b Nontaxable combat pay election
65 Excess social security and tier 1 RRTA tax withheld (see page 61)
66 Additional child tax credit. Attach Form 8812
67 Amount paid with request for extension to file (see page 61)
68 Credits from Form: a [] 2439 b [] 4136 c [] 8801 d [] 8885
69 First-time homebuyer credit. Attach Form 5405
70 Recovery rebate credit (see worksheet on pages 62 and 63)
71 Add lines 62 through 70. These are your total payments

Refund

Direct deposit? See page 63 and fill in 73b, 73c, and 73d, or Form 8888.

72 If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid
73a Amount of line 72 you want refunded to you. If Form 8888 is attached, check here
b Routing number
c Type: [] Checking [] Savings
d Account number
74 Amount of line 72 you want applied to your 2009 estimated tax

Amount You Owe

75 Amount you owe. Subtract line 71 from line 61. For details on how to pay, see page 65
76 Estimated tax penalty (see page 65)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 66)? [] Yes. Complete the following. [] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

SCHEDULES A&B
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Schedule A—Itemized Deductions

(Schedule B is on back)

OMB No. 1545-0074

2008

Attachment
Sequence No. **07**

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A&B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see page A-1).	1			
	2 Enter amount from Form 1040, line 38	2			
	3 Multiply line 2 by 7.5% (.075)	3			
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				4	
Taxes You Paid (See page A-2.)	5 State and local (check only one box):	5			
	a <input type="checkbox"/> Income taxes, or	}			
	b <input type="checkbox"/> General sales taxes				
	6 Real estate taxes (see page A-5)	6			
	7 Personal property taxes	7			
8 Other taxes. List type and amount ▶	8				
9 Add lines 5 through 8				9	
Interest You Paid (See page A-5.)	10 Home mortgage interest and points reported to you on Form 1098	10			
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶	11			
	Note. Personal interest is not deductible.				
	12 Points not reported to you on Form 1098. See page A-6 for special rules.	12			
	13 Qualified mortgage insurance premiums (see page A-6)	13			
	14 Investment interest. Attach Form 4952 if required. (See page A-6.)	14			
15 Add lines 10 through 14				15	
Gifts to Charity If you made a gift and got a benefit for it, see page A-7.	16 Gifts by cash or check. If you made any gift of \$250 or more, see page A-7	16			
	17 Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500	17			
	18 Carryover from prior year	18			
	19 Add lines 16 through 18				19
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See page A-8.)				20
Job Expenses and Certain Miscellaneous Deductions (See page A-9.)	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-9.) ▶	21			
	22 Tax preparation fees	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23			
	24 Add lines 21 through 23	24			
	25 Enter amount from Form 1040, line 38	25			
	26 Multiply line 25 by 2% (.02)	26			
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-				27
Other Miscellaneous Deductions	28 Other—from list on page A-10. List type and amount ▶				28
Total Itemized Deductions	29 Is Form 1040, line 38, over \$159,950 (over \$79,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-10 for the amount to enter. ▶				29
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ <input type="checkbox"/>				

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address

2 Add the amounts on line 1
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a

Note. If line 4 is over \$1,500, you must complete Part III.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5 List name of payer

6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a

Note. If line 6 is over \$1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

(See page B-2.)

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; or (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

- 7a At any time during 2008, did you have an interest in or a signature or other authority over a financial account in a foreign country...
7b If "Yes," enter the name of the foreign country
8 During 2008, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust?

Table with 2 columns: Yes, No. Contains shaded cells for responses to questions 7a, 7b, and 8.

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2008

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ **Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.**
▶ **Attach to Form 1040, 1040NR, or 1041.** ▶ **See Instructions for Schedule C (Form 1040).**

Name of proprietor	Social security number (SSN)
A Principal business or profession, including product or service (see page C-3 of the instructions)	B Enter code from pages C-9, 10, & 11
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN), if any
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code	
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶	
G Did you "materially participate" in the operation of this business during 2008? If "No," see page C-4 for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business during 2008, check here <input type="checkbox"/>	

Part I Income

1 Gross receipts or sales. Caution. See page C-4 and check the box if: <ul style="list-style-type: none"> • This income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, or • You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also see page C-4 for limit on losses. 				
2 Returns and allowances				
3 Subtract line 2 from line 1				
4 Cost of goods sold (from line 42 on page 2)				
5 Gross profit. Subtract line 4 from line 3.				
6 Other income, including federal and state gasoline or fuel tax credit or refund (see page C-4).				
7 Gross income. Add lines 5 and 6				

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising	8			18 Office expense	18		
9 Car and truck expenses (see page C-5)	9			19 Pension and profit-sharing plans	19		
10 Commissions and fees	10			20 Rent or lease (see page C-6):	20a		
11 Contract labor (see page C-5)	11			a Vehicles, machinery, and equipment	20b		
12 Depletion	12			b Other business property	21		
13 Depreciation and section 179 expense deduction (not included in Part III) (see page C-5)	13			21 Repairs and maintenance	22		
14 Employee benefit programs (other than on line 19)	14			22 Supplies (not included in Part III)	23		
15 Insurance (other than health)	15			23 Taxes and licenses	24		
16 Interest:				24 Travel, meals, and entertainment:	24a		
a Mortgage (paid to banks, etc.)	16a			a Travel	24b		
b Other	16b			b Deductible meals and entertainment (see page C-7)	25		
17 Legal and professional services	17			25 Utilities	26		
				26 Wages (less employment credits)	27		
				27 Other expenses (from line 48 on page 2)			
28 Total expenses before expenses for business use of home. Add lines 8 through 27					28		
29 Tentative profit or (loss). Subtract line 28 from line 7					29		
30 Expenses for business use of your home. Attach Form 8829					30		
31 Net profit or (loss). Subtract line 30 from line 29.					31		
• If a profit, enter on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (if you checked the box on line 1, see page C-7). Estates and trusts, enter on Form 1041, line 3 .							
• If a loss, you must go to line 32.							
32 If you have a loss, check the box that describes your investment in this activity (see page C-8).							
• If you checked 32a, enter the loss on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (if you checked the box on line 1, see the line 31 instructions on page C-7). Estates and trusts, enter on Form 1041, line 3 .					32a	<input type="checkbox"/>	All investment is at risk.
• If you checked 32b, you must attach Form 6198 . Your loss may be limited.					32b	<input type="checkbox"/>	Some investment is not at risk.

**SCHEDULE D
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2008

Attachment
Sequence No. **12**

Name(s) shown on return

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2					
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)					
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet on page D-7 of the instructions					6 ()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)					7

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
9 Enter your long-term totals, if any, from Schedule D-1, line 9					
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)					
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					12
13 Capital gain distributions. See page D-2 of the instructions					13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet on page D-7 of the instructions					14 ()
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back					15

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result.</p> <p>If line 16 is:</p> <ul style="list-style-type: none"> ● A gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. ● A loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. ● Zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. <p>17 Are lines 15 and 16 both gains?</p> <p><input type="checkbox"/> Yes. Go to line 18.</p> <p><input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p> <p>18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet on page D-8 of the instructions ▶</p> <p>19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 of the instructions ▶</p> <p>20 Are lines 18 and 19 both zero or blank?</p> <p><input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below.</p> <p><input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet on page D-10 of the instructions. Do not complete lines 21 and 22 below.</p> <p>21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of:</p> <ul style="list-style-type: none"> ● The loss on line 16 or ● (\$3,000), or if married filing separately, (\$1,500) } <p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p> <p>22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?</p> <p><input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR).</p> <p><input type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.</p>	<p>16</p> <p>18</p> <p>19</p> <p>21 ()</p>		
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**SCHEDULE E
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2008

Attachment
Sequence No. **13**

Name(s) shown on return

Your social security number

Part I Income or Loss From Rental Real Estate and Royalties **Note.** If you are in the business of renting personal property, use **Schedule C or C-EZ** (see page E-3). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

1	List the type and address of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:	
			Yes	No
A	• 14 days or • 10% of the total days rented at fair rental value? (See page E-3)	A	
B		B	
C		C	

Income:	Properties			Totals
	A	B	C	(Add columns A, B, and C.)
3 Rents received	3			3
4 Royalties received	4			4
Expenses:				
5 Advertising	5			
6 Auto and travel (see page E-4)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see page E-5)	12			12
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16			
17 Utilities	17			
18 Other (list) ▶	18			
19 Add lines 5 through 18	19			19
20 Depreciation expense or depletion (see page E-5)	20			20
21 Total expenses. Add lines 19 and 20	21			
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-5 to find out if you must file Form 6198	22			
23 Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See page E-5 to find out if you must file Form 8582 . Real estate professionals must complete line 43 on page 2	23	()	()	()
24 Income. Add positive amounts shown on line 22. Do not include any losses	24			
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here.	25	()		()
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26			

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations Note. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (e) on line 28 and attach Form 6198. See page E-1.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? Yes No If you answered "Yes," see page E-7 before completing this section.

Table with 5 columns: (a) Name, (b) Enter P for partnership; S for S corporation, (c) Check if foreign partnership, (d) Employer identification number, (e) Check if any amount is not at risk. Rows A, B, C, D.

Table with 5 columns: (f) Passive loss allowed, (g) Passive income from Schedule K-1, (h) Nonpassive loss from Schedule K-1, (i) Section 179 expense deduction from Form 4562, (j) Nonpassive income from Schedule K-1. Includes sub-rows 29a Totals, 29b Totals, 30, 31, 32.

Part III Income or Loss From Estates and Trusts

Table with 2 columns: (a) Name, (b) Employer identification number. Rows A, B.

Table with 4 columns: (c) Passive deduction or loss allowed, (d) Passive income from Schedule K-1, (e) Deduction or loss from Schedule K-1, (f) Other income from Schedule K-1. Includes sub-rows 34a Totals, 34b Totals, 35, 36, 37.

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

Table with 5 columns: (a) Name, (b) Employer identification number, (c) Excess inclusion from Schedules Q, line 2c, (d) Taxable income (net loss) from Schedules Q, line 1b, (e) Income from Schedules Q, line 3b. Includes row 39.

Part V Summary

Table with 2 columns: Description, Amount. Rows 40, 41, 42, 43.

▶ See separate instructions.

▶ Attach to Form 1040 or Form 1040NR.

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on Form 1040 or Form 1040NR

Your social security number

Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

Table with 29 rows for Part I. Each row contains a number (1-29), a description of the tax item, and a column for the amount. Some rows have parentheses for negative amounts.

Part II Alternative Minimum Tax (AMT)

Table with 6 rows for Part II. Row 30 is a table with filing status and exemption amounts. Rows 31-36 contain calculations for AMT, including foreign tax credit and tentative minimum tax.

Part III Tax Computation Using Maximum Capital Gains Rates

37	Enter the amount from Form 6251, line 31. If you are filing Form 2555 or 2555-EZ, enter the amount from line 3 of the worksheet on page 9 of the instructions				37		
38	Enter the amount from line 6 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 13 of the Schedule D Tax Worksheet on page D-10 of the instructions for Schedule D (Form 1040), whichever applies (as refigured for the AMT, if necessary) (see page 11 of the instructions). If you are filing Form 2555 or 2555-EZ, see page 11 of the instructions for the amount to enter	38					
39	Enter the amount from Schedule D (Form 1040), line 19 (as refigured for the AMT, if necessary) (see page 11 of the instructions). If you are filing Form 2555 or 2555-EZ, see page 11 of the instructions for the amount to enter	39					
40	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 38. Otherwise, add lines 38 and 39, and enter the smaller of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary). If you are filing Form 2555 or 2555-EZ, see page 11 of the instructions for the amount to enter	40					
41	Enter the smaller of line 37 or line 40				41		
42	Subtract line 41 from line 37				42		
43	If line 42 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 42 by 26% (.26). Otherwise, multiply line 42 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result ▶				43		
44	Enter: <ul style="list-style-type: none"> • \$65,100 if married filing jointly or qualifying widow(er), • \$32,550 if single or married filing separately, or • \$43,650 if head of household. 	44					
45	Enter the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 14 of the Schedule D Tax Worksheet on page D-10 of the instructions for Schedule D (Form 1040), whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter -0-	45					
46	Subtract line 45 from line 44. If zero or less, enter -0-	46					
47	Enter the smaller of line 37 or line 38	47					
48	Enter the smaller of line 46 or line 47	48					
49	Subtract line 48 from line 47	49					
50	Multiply line 49 by 15% (.15) ▶				50		
If line 39 is zero or blank, skip lines 51 and 52 and go to line 53. Otherwise, go to line 51.							
51	Subtract line 47 from line 41	51					
52	Multiply line 51 by 25% (.25) ▶				52		
53	Add lines 43, 50, and 52				53		
54	If line 37 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 37 by 26% (.26). Otherwise, multiply line 37 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result				54		
55	Enter the smaller of line 53 or line 54 here and on line 32. If you are filing Form 2555 or 2555-EZ, do not enter this amount on line 32. Instead, enter it on line 4 of the worksheet on page 9 of the instructions				55		

Sleuth: 100

A: This is the first document to look at in the search for hidden assets.

Q: What is a Tax Return?

Sleuth: 200

A: These are often overlooked assets that may have significant financial benefit.

Q: What are Tax Carryforwards?

Sleuth: 300

A: This item, reported on Schedule A, may reflect the existence of a margin account.

Q: What is Investment Interest Expense?

Sleuth: 400

A: This schedule may show income from an estate or trust.

Q: What is Schedule E?

Hide and Seek: 100

A: This is typically the only document that reflects inflated asset values.

Q: What is a Personal Financial Statement or Loan Application?

Hide and Seek: 200

A: This should match with the parties' reported net income plus increases in debt.

Q: What is the Lifestyle of the Parties?

Hide and Seek: 300

A: This is the removal of cash from a business before it is recorded in the accounting system.

Q: What is Skimming?

Hide and Seek: 400

A: This will typically not appear on a professional practice's income tax return balance sheet, but may be the most significant asset of the professional practice.

Q: What are Accounts Receivable?

Buried Treasure: 100

A: Form 1099 shows nonemployee compensation and per the IRS is required to be issued to individuals and partnerships but not corporations, except for corporations comprised of these professionals.

Q: What are Attorneys?

Buried Treasure: 200

A: A salary may be paid to this employee who either perform no services for the company or does not exist at all.

Q: What is a Ghost Employee?

Buried Treasure: 300

A: This asset may be paid in future years for services performed during the marriage.

Q: What is an Incentive/Bonus Plan?

Buried Treasure: 400

A: An entry on Schedule B at lines 7 and 8 may be the only clue about the existence of this asset

Q: What is a Foreign Asset Protection Trust?