



Robert W. Wood

THE TAX LAWYER

TAXES | 11/19/2013

Forget Grain: Worry About What Taxes Are Doing To Your Brain

You might be worried about [What Grain Is Doing To Your Brain](#). As that popular write-up reveals, David Perlmutter is a neurologist and president of the Perlmutter Health Center. He espouses the view that all carbs—*including* whole grains—are bad for our brains. He claims that our society needs major changes in eating habits to ward off Alzheimer's and dementia.

But I'd argue that **taxes** are worse for our brains. Even if most mental workouts are good, thinking about taxes surely can't be. That especially so with the Byzantine tax system we have in the U.S. Unlike the rest of the world, we must report our worldwide income, and the IRS is always looking for something to tax.

Lottery money? Taxed. Gambling? Taxed. Nobel prize, ditto. If you find some loot, you pay tax on its fair market value even if you don't sell it. And the compliance is practically torture.



EEG with 32 elektrodes (Photo credit: Wikipedia)

Like a Medieval ritual, we go through an annual bloodletting of forms, receipts and data to produce our tax return. Even if you hire someone to do it, the sheer organization can be mind-boggling. And the stakes are high.

Each little Form 1099 is a kind of God Particle keyed to a Social Security number. The IRS always gets a copy of the ubiquitous form. And if you miss one, say hello to an audit. And God forbid you forget a foreign bank account.

Even criminal liability is not out of the question. Foreign bank accounts can generate income but you won't receive a Form 1099. Still, reporting them is key.

Plus, if your balance exceed \$10,000, you must file Form [TDF 90-22.1](#), an [FBAR](#). These days the scrutiny is high, and how you transition from failures to report in the past is delicate. See [Undisclosed Foreign Bank Accounts? They're Even More Explosive Now.](#)

And forget handling disputes yourself. Even simple audits can come off the rails or expand into new frontiers if you're not careful. The IRS isn't very responsive, but you have to be, so keep records of every communication. Winning is often about attrition. But be wary about what you say and to whom.

In fact, if the IRS comes to your home or business, it is best to clam up and say your lawyer will call. If you say anything, don't lie. The usual IRS statute of limitations is 3 years, but if you understate your income by 25% or more, the IRS gets 6 years. Although you can throw out many tax records after 6 years, keep copies of your returns forever.

And there's a premium on being right the first time. Amended returns have a high audit rate, particularly if they request a refund. If you amend, you can't cherry-pick which items to fix. An amended return must correct everything, not just items in your favor. See [Five More Tips For Amending Tax Returns.](#)

Try not to stick out from the pile. If you are due a large refund, consider applying it to next year's taxes rather than asking for the cash. You'll have a lower audit profile. If an explanation or disclosure is needed on your return, keep it succinct. Attachments should be limited to tax forms and plain sheets of paper listing additional deductions, income, etc.

Does your brain hurt yet? Mine does. Thinking about all of this can't be good.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.