

POPKIN & ASSOCIATES, P.C.

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Annual Client Letter

Dear Clients:

If you are receiving this letter then it is very likely that you already received notification from my office regarding the coming 2016 Income Tax Season. Unlike last year's "earth shattering" client letter, this one is relatively calm and uneventful. I would, however, encourage you to read on as there is always something interest and important to learn within.

Years ago before Jerry passed on (no, not my Father), I had the pleasure of attending a Grateful Dead concert; or should I say spectacle. I had attended many concerts prior to this one (and even more since), but never had I experienced anything like this show. The music was bizarrely intense yet somewhat unfamiliar to me, as the band play song after song that I had never heard before. And then, out of the clear blue, the band started into a song that has remained an anthem for the ages. "Trunken" was the only song that was familiar to me that night.

Yet the "Dead show" (as it was called) had so many other aspects that held my attention that night. The music was only a small part of the intense sensory overload I experienced. The sights and smells of the event where as interesting and provocative as the sound of the band's continuous drowning of song after song. So amazed at the crowd and their interest in having nothing but a good time, my focus was completely taken away from the music and I spent most of my time during the show just watching the mass of people totally immerse themselves into the moment.

The sea of humanity that ventured into the "Omni" that night (mostly "deadheads", as they were/are known) danced their way around the arena without a care or concern; many of which remain that way today! Walking out of the arena after the show I found myself thinking that I had just seen something that would likely not be seen again; at least by me. That show remains a timeless reminder to me of "*what a long, strange trip it's been!*"

Fast forward thirty-five (35+) years and many hundreds of shows later; and I'm now convinced that I was wrong. Cause from what I've just seen, the trip we are about to take is going to seem a bit stranger than from whence we came.

As we move forward into the New Year it should be clear to all that the American public is ready for change. Tired of the same old garbage that we have been getting out of our elected officials, this past election process helped put forth the proposition that "good 'ol boy" politics is soon to be a thing of the past. What we will likely wind up with in its place can only be left to the imagination (at this point).

“It’s a whole new variable age of reason.” Out with the same old ideals; like political correctness, truthfulness and concerns over climate change, and in with the new; like divisive politics, isolationism and trickledown economics. Unfortunately, those are not “new” ideas.

So change; it’s a coming. In what form or shape we do not yet know? But much like the new Braves stadium; like it or not, it’s coming!

For quite some time I’ve been keeping you aware of the changing landscape of the business of income tax preparation. The past few years has brought forth some big changes to my industry. It is, however, my belief that the changes to come under the Trump administration will likely be the largest, sweeping change(s) to the tax code since the days of St. Ronnie (the 1980’s).

Everything you hear right now about proposed changes to the tax code for this coming year is nothing but pure speculation at this point. Until Congress actually gets a package from the new administration and approves or morphs it, we can only take an educated guess at what is to come. There are, however, always some things to consider as we move forward to complete this year.

It is very unlikely (with a Republican held Congress and Executive branch) that tax rates will be increased in the near future. Historically speaking, upon regaining what should be considered total control of our government in the past, the Republicans have lowered taxes upon taking power. I believe that this go around will be no exception to that rule.

If tax rates are going down in the near future, the biggest cut will likely come at the top end of the brackets. That being said, deferring income until 2017 (and beyond) if possible could be a general point of consideration. And if tax rates are going down in the future, that would make tax deductions worth less in the future than they are today! Therefore, as a general rule of thumb, I would consider accelerating deductions into 2016, and deferring income into 2017 and beyond. But as mentioned before, this is nothing but pure (historically educated) speculation at this point!

Right now it’s a wait and see game (or as we say in golf, it a “hope and pray moment”). Time, however, will fill in the blanks for us.

As many of you are already aware, this past year I made some serious (sweeping) changes to my professional practice. As Congress continues to make more difficult that which is already hard enough, I felt it necessary to make my own changes in order to keep pace with the ever changing landscape of the income tax industry. The constant changes to the tax code, coupled with changes to my overhead, became a costly burden that I was unable to bear based on the then present structure of my business.

As a result, I was left with some very difficult decisions to make regarding the future of my business and my ability to continue providing income tax services as I had in the past. And unfortunately for many of my previous clients (some with very lengthy relationships), it meant our parting way. The good news is that you continue to be on the good side of that list of departures, and you will continue to be able to receive access to my professional services; at least for another year!

The planned reduction of clients to service was in hindsight a very good decision on my part. It has afforded me greater time for both my remaining clients, and myself. Although it seems to be a good decision for both myself and those remaining as clients, it did not come without some very serious and disconcerting consequences for both of us.

When considering the prospects of reducing my client workload, I did not perceive just how hard a time I would have accomplishing that task. I did not realize just how many of my departing clients would make it difficult for the both of us to move on. Of course, I took painstaking effort to insure that every departing client had a place to go to get their tax work done in the future, so that no one felt “left out in the cold”. Even then, bring an end to many long time relationships was not made any easier. Looking back on the process, I consider it to have been one of the most difficult things I have ever accomplished in my business career.

However, the result of all of this is that I have made a giant step in what I consider is the right direction, for both myself and my remaining clientele. I will be accepting only a very limited number of clients (100) for the 2017 tax season. Once full, no other clients will be accepted for the year. As concerning future years, it’s hard to tell right now with all of the changes to come what the future holds for me (or this business). So right now, we’ll just take this one (1) year at a time!

As part of the restructuring of my business and client list, I must now place a minimum charge of \$1,000.00 for all income tax return preparation services for you and your family for this coming tax season. That being said, I will remind you that the ultimate fees charged for your tax preparation services (or legal services) may differ from year to year due the amount of time spent, the complexity of your returns, and the liability associated with work we perform for you that particular year. Of course, I will do all that I can to keep the costs of your returns at a reasonable price value during the necessary changes being made. Please take note that my billing rate for all services received will remain at \$400.00 per hour (as stated above) as it has been for the past four (4) years.

For those who feel that there have been changes in your life that make the need for my services cost prohibitive and find that you may need to look elsewhere for tax preparation services this coming year, I will be available to give you direction and support. I continue to maintain relationships with several local CPAs and income tax professionals in our area to handle your income tax preparation needs and will be happy to introduce/refer you to them should you desire me to do so. These referral sources should be able to handle all of your tax preparation needs and requirements as I have provided to you in the past. I will also be available to assist you in the easy transition of your information wherever you may decide to go.

Should you have any questions or concerns regarding the restructuring of my practice and how it may impact you, please feel free to contact my office at your convenience. I will be happy to discuss these changes and how they might affect your tax services in the future.

On a lighter note, this past year was another rewarding and exciting one for me and my family. Lots of travel and family time (as we planned) dotted the landscape of my year. I have continued to strive towards my commitment to make the best of my “quality time“ left.

Sailing in the Caribbean (Dominica, Martinique and St Lucia) with the extended family (20+), a short trip to New York ("the City", as I call it) for some good food and shows, including a Sting/Peter Gabriel concert we attended at Madison Square Garden, Pinehurst with my golf group this Fall, and a few quickie trips along the way kept us very busy during the off season.

As was the case last year, Renae and I had the great fortune to travel out West again this past summer. What an awesome country we have. What started out as a short trip to see a concert ended up turning into a bucket list, "I always wanted to go there" trip. A seventeen (17) day journey that started in Lake Tahoe and ending up in Seattle, Washington. Sandwiched between the two (2) cities and 2400 miles were two (2) Sting/Peter Gabriel shows, a visit to the Red Woods in northern California, the Oregon coast, and a very short stay in Portland.

The trip was truly a QTL occasion for us (for those of you that understand). Did I mention that we have an incredibly beautiful country! And yes; if you were counting, we did ultimately attend three (3) Sting/Gabriel concerts over the Summer; in three (3) different cities. You did take notice earlier in this letter that music has and continues to play a very important role in my life!

Now, you have to understand; Sting is my wife's all-time favorite artist (let's just say that it's not the first time we've travel to see him)! And it just so happens that Peter Gabriel is one of our favorites as well (we've also traveled to see him in the past). So when their joint tour was announced, it was natural thing for us to consider finding a date/time to go. Fortunately, the tour did not make a stop in Atlanta, or we might have missed this great opportunity to take a wonderful trip out to the West Coast.

It was a fantastic Summer (to say the least), and will be hard to beat any time soon. However, plans are in the works!

On that note it is time to begin thinking about making your final year-end plans for your 2016 income taxes. Charitable contributions, Roth IRA Conversions, payment of deductible medical expenses, and harvesting stock losses to offset gains or \$3,000 of ordinary are all techniques to reduce your taxable income, either now or in the future. However, all of these things must be completed prior to the end of the year to be effective for 2016. Call me to discuss these (and other tax saving techniques) should you find the need to do so.

I continue to maintain close personal relationships with financial advisors Daniel Kaufman and Glen Merritt, at both Merrill Lynch and Raymond James, respectively. Both provide the quality of service that I am comfortable referring to my clients without question. Each has their special areas of concentration in the marketplace. Should you be interested in discussing your financial investments with either one, please give me a call and I will make it happen for you!

In an effort to shorten my annual client letter, much of the information that I used to cover within my past letters (the state of our economy and taxes), will be forwarded to you in an email following sometime after your receipt of this, my 2016 Client Letter. I would encourage you to spend few minutes with the 2016 Tax Change summary, as there is always much to learn. I will be sending you the 2016 Tax Change Summary (via email for most) within the next few weeks, so be on the

lookout. Not only will the Summary review the tax code changes for the coming year, but it will also refer to some of the changes in the firm's processing procedures for this tax season.

I wish to thank you for your past business and the opportunity to be of service to you this coming year. Your continued business relationship is genuinely appreciated. I look forward to hearing from each of you in the very near future. Please enjoy a safe and happy Holiday Season and best wishes to you and yours throughout the coming New Year!

POPKIN & ASSOCIATES, P.C.
Mark J. Popkin