Featured Film:
The Accountant

Learning Tax and Accounting through film

Polston
Tax Resolution & Accounting

Movie Title: The Accountant
Featuring: Ben Affleck & Anna Kendrick

PLOT:

Christian Wolff (Ben Affleck) is a mathematics savant with more affinity for numbers than people. Using a small-town CPA office as a cover, he makes his living as a freelance accountant for dangerous criminal organizations. With a Treasury agent hot on his heels, Christian takes on a state-of-the-art robotics company as a legitimate client. As Wolff gets closer to the truth about a discrepancy that involves millions of dollars, the body count starts to rise.

Fact or Fiction: 50% of Taxpayers are Not Required to File a Tax Return?

- The IRS requires that every citizen of the United States file a tax return if they earned more income than certain thresholds.
- Not every citizen of the United is required to file a tax return if they earned less income than certain thresholds.
- Did you also know these two statements say the same thing?

Fact or Fiction: 44% of Taxpayers Pay no Income Taxes?

- The Tax Policy Center had calculated that about 44% of taxpayers do not pay INCOME TAX.
  - Are they entitled takers?
  - Are they living on welfare and taking advantage of government benefits, while the rest of us work hard to pay the taxes?

The 44% That Don't Pay Income Taxes:

- Very young, ages 16-24 years old
- Very old, ages 75 and up
- Of those who are prime working age:
  - 1/3 will not pay taxes for only one year
  - 3/5 will not pay taxes for up to 3 consecutive years
  - 1/8 will not pay income taxes for 10 years or more

Low Income Households Not Paying Federal Income Taxes

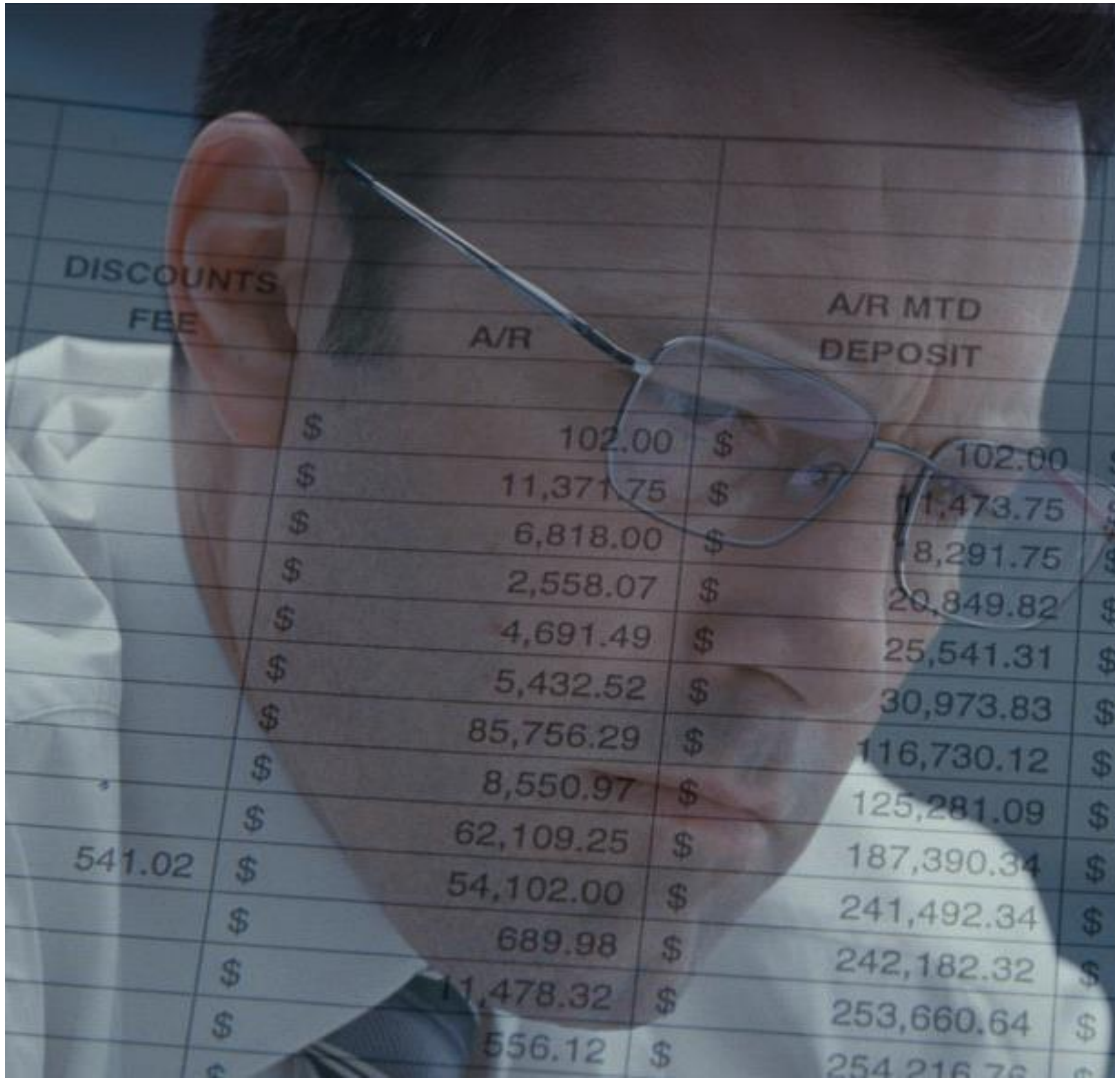
- Women may work and pay income taxes, until they have a child, but then may stop working because childcare costs are as much or greater than their income.
- Low income workers also frequently face layoffs, or participate in seasonal jobs, or other intermittent odd work.

Retirees Not Paying Federal Income Taxes

- Retirees make up about half of the total not paying federal income taxes.
- These individuals who paid taxes throughout their working careers may now be living on social security income
- Social Security income below $25,000 is excluded from their adjusted gross income.
- Half of those 65 years and older receive social security benefits of $15,000 or less per year.

Fact or Fiction: The top 20% of Americans pay almost 90% of all federal income taxes?

- Those statistics only refer to federal income taxes. Both the federal and the income part are important.
- Federal income taxes only contribute about 1/2 of the total taxes collected by the gov't.
- About 1/3 of taxes come from payroll taxes which fall more heavily on working class people because it is taxed only against the first $130,000 of earned income.
- For example, a nurse making a salary of $50,000 per year pays (counting both the employee and employer side) 12.4 percent in OASDI taxes (for Social Security and disability insurance). But a sitcom star making $50 million a year, will pay the 12.4 percent only on the initial $130,000 of their salary, working out to a total OASDI tax rate of just 0.03 percent on their $50 million.
- OASDI taxes are also only taxed on *earned* income — meaning, money you make from a job — a billionaire investor with a $50 million annual income from dividends and capital gains will pay exactly zero percent in OASDI taxes.



Fact or Fiction: The Wealthy Pay More Total Taxes?

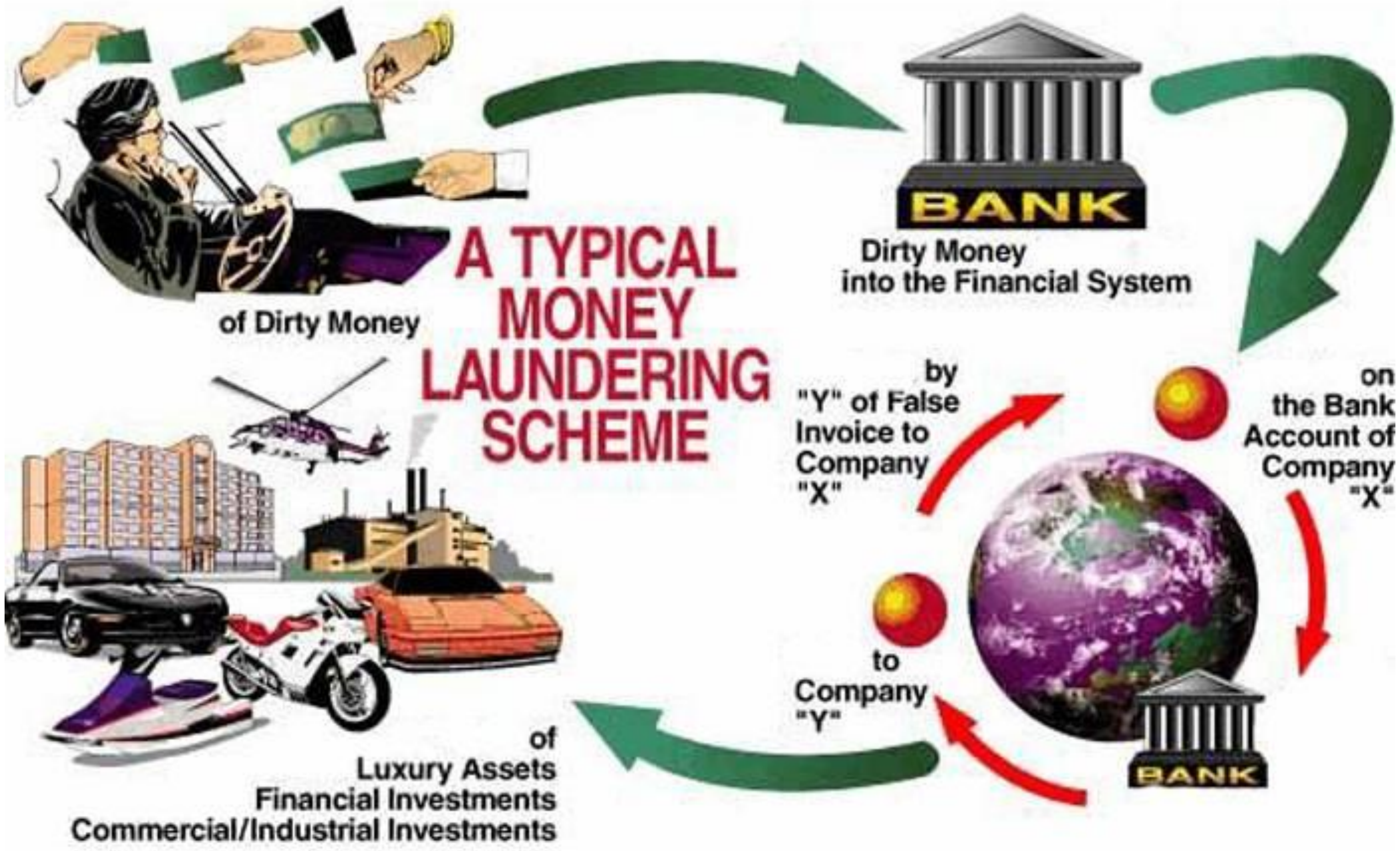
- The wealthy naturally pay a disproportionate share of federal income taxes because they make a disproportionate share of the country’s income.
- In other words, they are not an indication that the superrich are beleaguered, but are in part a sign of America’s staggering wealth inequality.

Money Laundering

Money laundering is a process that criminals use in an attempt to hide the illegal source of their income. By passing money through complex transfers and transactions, or through a series of businesses, the money is “cleaned” of its illegitimate origin and made to appear as legitimate profits.

How Money Laundering Works

- A major business problem of large, organized criminal enterprises – such as drug smuggling operations – is that they end up with huge amounts of cash that they need to conceal in order to avoid attracting investigations by legal authorities
- To deal with the problem of having millions of dollars in cash obtained from illegal activities, criminal enterprises create ways of "laundering" the money to obscure the illegal nature of how it is obtained.



The Stages of <u>Money Laundering</u>

- Receiving "dirty" money from illegal transactions.
- Putting the money in a bank account.
- Use the money to pay for a fake invoice and/or transfer the money to the bank account of another business and/or make a loan to another business and/or put the money in an offshore bank account.
- Use the money to purchase luxury assets, financial investments, commercial/industrial investments
- Borrow against the assets or sell and you have clean money.

Cash Businesses

Businesses that typically accept cash in exchange for goods or services are an excellent way to commit money laundering:

- Flower shops
- Restaurants
- Pawn shops
- Salvage/auto parts
- Ice cream only places/food trucks
- Check cashing/pay day loans
- Convenience stores
- Nightclubs and bars
- Laundromats
- Nail salons or massage parlors

Embezzlement

- **Embezzlement** takes place when a person uses funds for a different purpose than they were intended to be used.
- Embezzlers might create bills and receipts for activities that did not occur and then use the money paid for personal expenses.
- Embezzlers may also divert customer/client payments directly to a separate bank account under their control.
- Embezzlement is different from fraud or larceny (theft). The embezzler has permission to handle the property in a certain way (but not to take it). Instead, the wrongdoer uses the position of trust granted by the owner to convert the property to the embezzler’s possession and control (to take it).

Forensic Accounting

- Forensic accounting utilizes accounting, auditing, and investigative skills to conduct an examination into the finances of an individual or business.
- Forensic accounting provides an accounting analysis suitable to be used in legal proceedings.
- Forensic accountants are trained to look beyond the numbers and deal with the business reality of a situation.
- Forensic accounting is frequently used in fraud and embezzlement cases to explain the nature of a financial crime in court.

Forensic Accounting

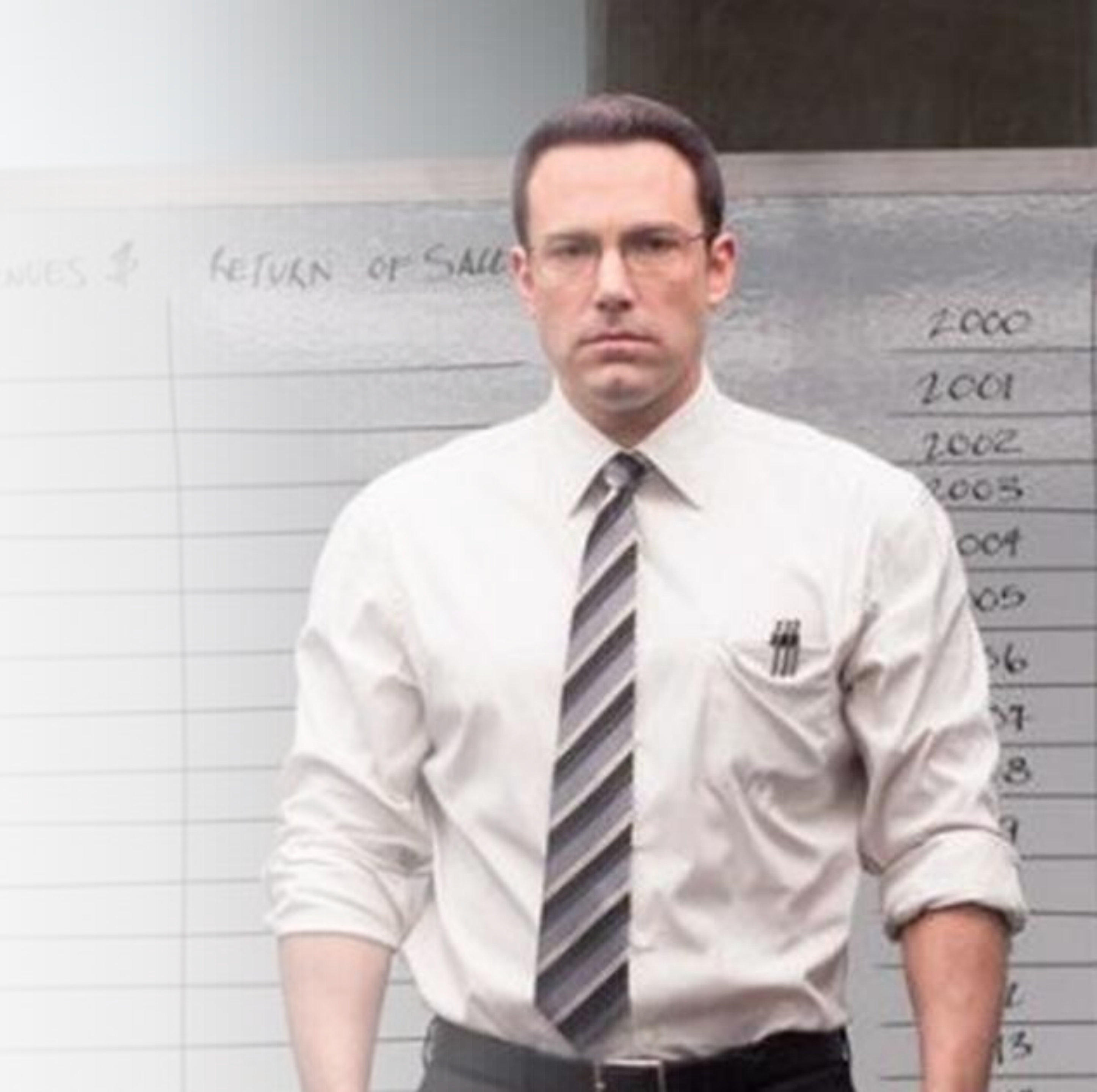
- Forensic accounting is also used to discover whether a crime occurred and assess the likelihood of criminal intent. Such crimes may include employee theft, securities fraud, falsification of financial statement information, identity theft, or insurance fraud.
- Forensic accounting is often brought to bear in complex and high profile financial crimes. The reason the nature of Bernie Madoff's Ponzi scheme is understood today is that forensic accountants dissected the scheme and made it understandable for the court case.
- Forensic accountants may also assist in searching for hidden assets in divorce cases or provide their services for other civil matters such as breach of contracts, tort, disagreements relating to company acquisitions, breaches of warranty, or business valuation disputes.
- Forensic accounting assignments can include investigating construction claims, expropriations, product liability claims,or trademark or patent infringements. And, if all that wasn't enough, forensic accounting may also be used to determine the economic results of the breach of a nondisclosure or non-compete agreement.

Accepting payment via non-cash goods

- Not reporting income
- Not paying taxes
- Can be transferred to pay for other goods or services
- No cash on hand or placed in bank account for easy tracing
- Audits typically review only liquid cash
- IRS typically does not take an inventory of the goods owned by a taxpayer or of the contents of a safe deposit box or storage facility

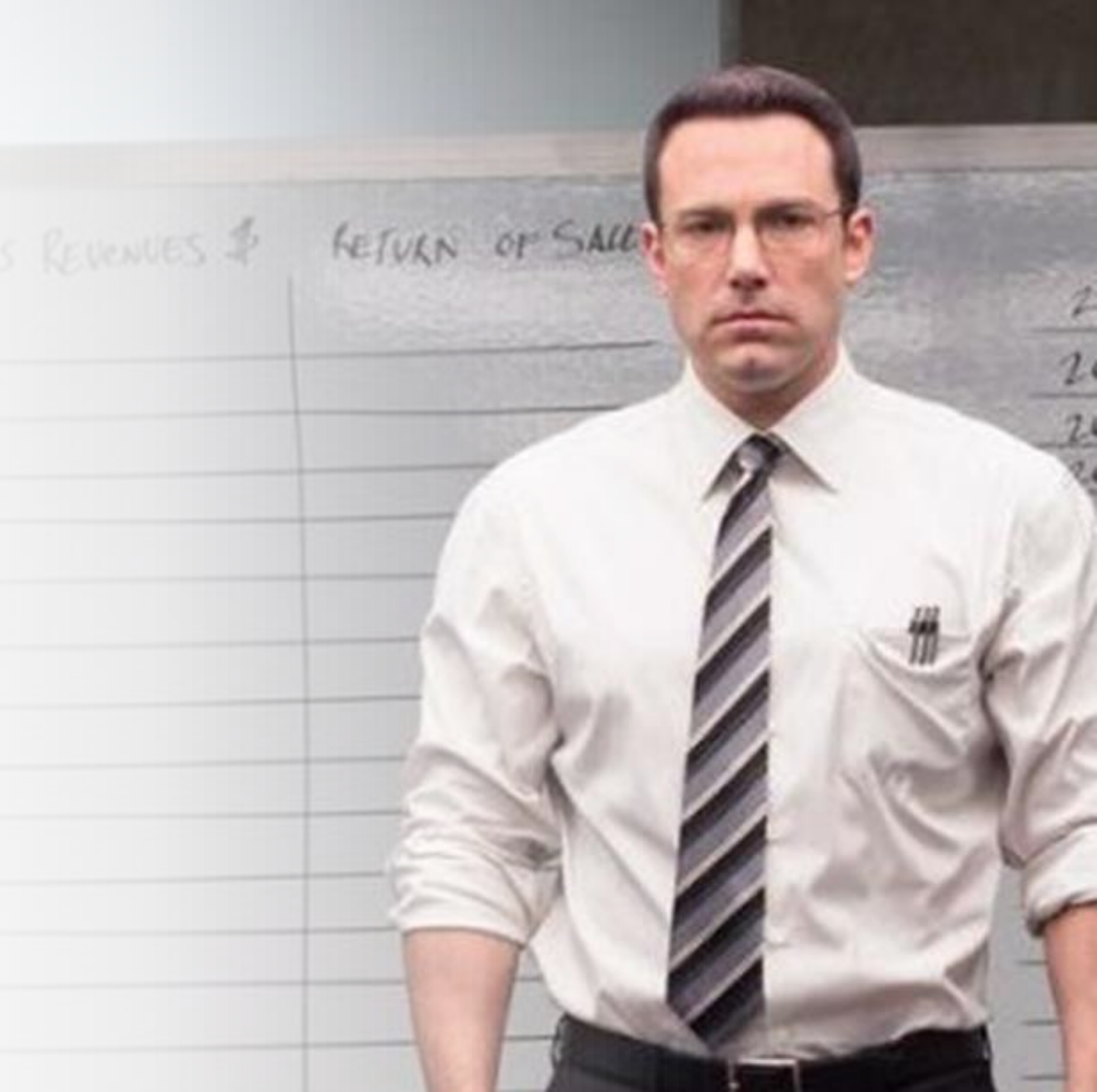
Stock Pricing

- Generally, the prices in the stock market are driven by supply and demand.
- When a stock is sold, a buyer and seller exchange money for share ownership. The price for which the stock is purchased becomes the new market price. When a second share is sold, this price becomes the newest market price, etc.



How Stock Pricing is Calculated

- After a company goes public, and its shares start trading on a stock exchange, its share price is determined by supply and demand for its shares in the market.
- If there is a high demand for its shares the price will increase. If the company's future growth potential doesn't look good, sellers of the stock can drive down its price.



Artificially Inflating Stock Pricing

- In this movie, the owner of the company embezzled money from the company through fake invoices and injected it back into the company as sales.
- The goal was to make the company look more profitable by building up gross revenue and a fictitious demand.

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