

ON YOUR SIDE

Volume 7, Issue 2

An informative presentation from your Pre-Paid Legal District of Columbia/Maryland Provider

Spring 2009

FROM THE DESK OF Jeffrey M. Lippman, Managing Partner

Obviously with the election over and a new President taking office, change is in the air. Whether you voted for Mr. Obama or not, we can be proud of our country and the peaceful transfer of political power, that can only be guaranteed when citizens are empowered with the right to vote. President Obama campaigned on building from the "bottom up" I believe he meant to empower all people, no matter their circumstance. In essence: to even the playing field. Isn't empowerment what Pre-Paid Legal is all about? Access to top tier legal counsel for pocket change per day puts the regular folks on par with the very wealthy. It is more than having an attorney on retainer, it is having an entire law firm and nationwide legal network on retainer. There is nothing out there that evens the playing field more than PPL. Now more than ever, the life events benefits provided by PPL contracts are so important.

The change in Washington and the change in the calendar year provides a good opportunity to review the year that was. As I reflected on 2008, I checked our figures and confirmed we handled tens of thousands of intakes in 2008. Consistent with prior years, the vast majority of all intakes were handled under no additional cost provisions of your membership contacts. Even many referrals were covered under Titles I, II and III. The facts bear out that PPL members enjoy enormous value under the no additional cost provisions of the various membership contracts. While Title V referrals are a small percentage, our

members enjoy an enormous benefit in having a high caliber referral network, with unparalleled customer service oversight, and substantial discounts on attorney fees.

We prepared over 2,000 Last Will and Testaments under Title I and 521 stand alone Living Wills under PPL's Living Will retention initiative. While those figures are impressive, we should be preparing even more. I cannot emphasize strongly enough how important estate planning documents are, and how much angst and heartache their creation can prevent. Moreover, the fact that these documents are typically 100% covered by Title I is a fabulous financial savings that should be taken advantage of by every member.

Our confirmed Title I recoveries and savings achieved for our members, resulting from letters or phone calls, is about to cross the 13 million dollar threshold. We only started tracking these since May, 2004. Title III savings now approach 29 million dollars since around the same time.

As we look to 2009 and the exciting prospects in store for the entire Pre-Paid Legal movement, our energy grows when there are PPL events planned in our area. We were thrilled to have been a part of the recent Super Saturday along with Mr. Wilburn Smith. The Advanced Product Training is another excellent event and the firm is proud to attend and showcase our achievements. The firm

looks forward to a packed room at our Associate Open Houses throughout. There is no better way for someone who has invested in PPL's business opportunity to "kick the tires" than attending an Associate Open House*. I especially enjoyed the flagship event: The International Marketing Convention in Oklahoma City! It was great to see many friendly faces there.

We've added some new attorneys and staff and trust our members will continue to enjoy excellent services dispensed the Pre-Paid way. Given that tax season is right around the corner, most of this edition will contain useful tax information. Almost all of this information is courtesy of the IRS and it's "Tax Tips" publications.

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* To reserve your spot, call PPL's marketing department at (580) 436-7424 and remember, these open houses are for enrolled Independent Sales Associates only.

CONSUMER CORNER

IRS Presents: Top Ten Tax Time Tips

IRS TAX TIP 2009-01

1. **Gather your records...now!** It's never too early to start getting together any documents or forms you'll need when filing your taxes: receipts, canceled checks, and other documents that support an item of income or a deduction you're taking on your return. Also, be on the lookout for W-2s and 1099s, coming soon from your employer.
2. **Find your forms.** Whether you file a 1040 or 1040-EZ, you can download all IRS forms and publications on our Web site, IRS.gov.
3. **Do a little research.** Check out Publication 17 on IRS.gov. It's a comprehensive collection of information for taxpayers highlighting everything you'll need to know when filing your return. Review Pub 17 to ensure you're taking all credits and deductions for which you're eligible.
4. **Think ahead to how you'll file.** Will you prepare your return yourself or go to a preparer? Do you qualify to file at no cost using Free File on IRS.gov? Are you eligible for free help at an IRS office or volunteer site? Will you purchase tax preparation software or file online? There are many things to consider. So, give yourself time to weigh them all and find the option that best suits your needs.
5. **Take your time.** Rushing to get your return filed increases the chance you will make a mistake and not catch it.
6. **Double-check your return.** Mistakes will slow down the processing of your return. In particular, make sure all the Social Security Numbers and math calculations are correct as these are the most common errors made by taxpayers.
7. **Consider e-file.** When you file electronically, the computer will handle the math calculations for you, and you will get your refund in about half the time it takes when you file a paper return.
8. **Think about Direct Deposit.** If you elect to have your refund directly deposited into your bank account, you'll receive it faster than waiting for a check by mail.
9. **Visit IRS.gov often.** The official IRS Web site is a great place to find everything you'll need to file your tax return: forms, tips, FAQs and updates on tax law changes.
10. **Relax.** There's no need to panic. If you run into a problem, remember the IRS is here to help. Try IRS.gov or call our customer service number at 800-829-1040.

Links:

- [Forms and Publications](#)
- [E-filing](#)
- [1040 Central](#)

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The Five Filing Status Possibilities

IRS TAX TIP 2009-03

Everyone who files a federal tax return must determine which filing status applies to them. It's important you choose your correct filing status as it determines your standard deduction, the amount of tax you owe and ultimately, any refund owed to you.'

There are two things to consider when determining your filing status:

First, your marital status on the last day of the year determines your filing status for the entire year. Secondly, if more than one filing status applies to you, choose the one that gives you the lowest tax obligation.

Here are the five filing status options:

1. **Single.** This will generally apply to anyone who is unmarried, divorced or legally separated according to your state law.
2. **Married Filing Jointly.** A married couple may file a joint return together. If your spouse died during the year, you may still file a joint return with that spouse for the year of death.
3. **Married Filing Separately.** A married couple may elect to file their returns separately.
4. **Head of Household.** This generally applies to taxpayers who are unmarried. You must also have paid more than half the cost of maintaining a home for you and a qualifying person to qualify for this filing status.
5. **Qualifying Widow(er) with Dependent Child.** You may be able to choose this filing status if your spouse died during 2006 or 2007, you have a dependent child and you meet certain other conditions.

There's much more information about determining your filing status in *Publication 501, Exemptions, Standard Deduction, and Filing Information*. Publication 501 is available on the IRS Web site at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Link — Publication 501, Exemptions, Standard Deduction, and Filing Information [PDF 196K](#)

Here are some links from the IRS website that may be of assistance:

1. If taxpayers are looking to refinance or sell a home and there is a federal tax lien filed, there are options - <http://www.irs.gov/newsroom/article/0,,id=201343,00.html?portlet=6>
2. 2009 Inflation Adjustments Widen Tax Brackets and Expand Tax Benefits (please note gift tax exclusion has increased from \$12k to \$13k) - <http://www.irs.gov/newsroom/article/0,,id=187825,00.html?portlet=7>
3. IRS 2009 Standard Mileage Rates - <http://www.irs.gov/newsroom/article/0,,id=200505,00.html?portlet=7>
4. Estate Tax Threshold Increase (please note federal estate tax threshold has increased from \$2 million to \$3.5 million) - <http://www.irs.gov/businesses/small/article/0,,id=164871,00.html>

CONSUMER CORNER

What Income is Taxable?

While most income you receive is generally considered taxable, there are some situations when certain types of income are partially taxed or not taxed at all.

Some common examples of items that are not included in your income are:

- Adoption Expense Reimbursements for qualifying expenses
- Child support payments
- Gifts, bequests and inheritances
- Workers' compensation benefits
- Meals and Lodging for the convenience of your employer
- Compensatory Damages awarded for physical injury or physical sickness
- Welfare Benefits
- Cash Rebates from a dealer or manufacturer
- Economic Stimulus Payment received in 2008

Some income may be taxable under certain circumstance, but not taxable in other situations. Examples of items that may or may not be included in your income are:

- **Life Insurance.** If you surrender a life insurance policy for cash, you must include in income any proceeds that are more than the cost of the life insurance policy. Life insurance proceeds paid to you because of the death of the insured person are not taxable unless the policy was turned over to you for a price.
- **Scholarship or Fellowship Grant.** If you are a candidate for a degree, you can exclude amounts you receive as a qualified scholarship or fellowship. Amounts used for room and board do not qualify. All other items—including income such as wages, salaries and tips—must be included in your income, unless it is specifically excluded by law. Taxable income may be in a form other than cash. One example of this is bartering, which is an exchange of property or services. The fair market value of goods and services exchanged is fully taxable and must be included as income on Form 1040 of both parties.

These examples are not all-inclusive. For more information, visit the IRS Web site at IRS.gov to view or download Publication 525, Taxable and Nontaxable Income from the Forms and Publications section or call 800-TAX-FORM (800-829-3676).

Link

Publication 525, Taxable and Nontaxable Income ([1178.2KB](#))

SPOTLIGHT ON Victor Lembo, Supervising Attorney

Victor Lembo joined Weinstock, Friedman & Friedman, P.A. in 2004 as a Pre-Paid Legal Services, Title 1 attorney. He was a perfect fit from day one. Victor understands how important it is to deliver excellent legal advice in a friendly and professional manner.

Our members have been very vocal in their praise of Victor. He was the recipient of the coveted Members' Choice Award in 2006, 2007 and 2008. At our most recent Provider Firm

Conference, Victor was awarded a prestigious Leadership Award. In addition to these awards Victor was chosen to be part of the Provider Firms' WOW committee working to instill in Weinstock's staff and attorneys the importance of delivering excellent customer service.

When the position of Pre-Paid Supervising Attorney became available, Victor immediately threw his name into the ring. He, along

with Becky Carter, oversee the day to day operation of our PPL Department. Since the end of December, Victor has been flying solo while Becky is off on extended leave.

Victor's job is not an easy one. As a Supervising Attorney, Victor constantly monitors the Pre-Paid computer system to make sure Weinstock is within the guidelines established by the corporate office. He also is responsible for training new attorneys, making coverage determinations, aiding in member resolution and being the go to person for both staff and attorneys alike.

As you can see Victor Lembo plays a very important role in Weinstock, Friedman & Friedman's Pre-Paid Legal Department. We appreciate all of his hard work.

CONSUMER CORNER

Court Ruling: Credit Bureaus Must Revamp Their Bankruptcy Reporting

By: Sonya Smith-Valentine*

Millions of consumers who have filed for bankruptcy are about to get a second chance at a fresh start.

A recent Federal court order required the three major credit reporting bureaus to clean up the credit files of millions of consumers who have filed for Chapter 7 bankruptcy. The problem: old debts that were discharged by the courts in a bankruptcy filing are still being reported as active on many consumers' credit reports. The court-mandated changes come at a time when more consumers are filing for bankruptcy amid rising loan defaults and tighter credit standards.

This ruling is expected to clean up the credit files—potentially boost the credit scores—of an estimated 6 to 10 million people who filed for Chapter 7 bankruptcy but still had errors in their credit report files. Consumers with old debt are likely to get some relief if those debts were discharged under Chapter 7 protection.

Current reporting systems aren't as accurate as they should be and errors in credit reports are common. Credit report inaccuracies can result in lower credit scores, credit denials and higher interest rates. In many cases, old discharged debts linger on credit reports if lenders don't update their records or if collection agencies ignore the fact that debts were discharged in bankruptcy. Also, some

creditors or buyers of debt will not report the bankruptcy discharge to the credit bureaus and will instead “park the debt” during the bankruptcy and then try to collect the debt after it has been legally discharged. The new court-mandated procedures should ensure that anyone who files for bankruptcy in the future will have more accurate credit reports.

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The court order stems from a class action lawsuit alleging that each of the credit bureaus violated the Fair Credit Reporting Act by failing to maintain reasonable procedures to assure the accurate reporting of debts that were discharged in bankruptcy. The lawsuit could now move to a trial to determine liability and damages if the court decides to give the damages portion of the case a class action status.

The ruling is significant because the credit bureaus will have to make wholesale changes to the way they report key credit information related to bankruptcy filings. It used to be that the credit bu-

reau would remove/update pre-bankruptcy debts on consumers' credit files only if the creditors updated their accounts. Now, accounts included in a Chapter 7 bankruptcy will be required to show a zero balance. It appears the credit bureaus were showing the “included in bankruptcy” accounts as having balances and, in some cases, showing active history which could keep the account on a credit file for longer than the seven-year limit. A bankruptcy on the credit report is bad, but when there is a bankruptcy and there are also debts showing up as overdue and not paid—that's a double hit.

Once a consumer has completed the bankruptcy process, they should request a copy of their credit report from all three credit bureaus. The credit report should indicate a zero balance next to all creditors listed in their bankruptcy petition, unless they acquired new debt during or subsequent to their bankruptcy or re-affirmed the existing debt during the bankruptcy. If their credit report indicates an error, they should send to the credit bureaus a dispute letter with proof the debt was discharged in bankruptcy. If the credit bureau does not correct the error in the credit report and the consumer then suffers some harm, the consumer can file a lawsuit for damages for violations of the Fair Credit Reporting Act.

* Sonya Smith-Valentine is a member of the PPL Referral Attorney Database. She gave permission to run this article which originally published in the February 2009 edition of the Bar Bulletin.