The "Dirty Dozen" Tax Scams of 2015, continued

(10) Falsifying income to claim credits is a common scam in which taxpayers report additional income to claim higher tax credits. In order to avoid facing criminal charges, taxpayers are advised to complete their tax returns with the most accurate and truthful information they have.

(11) Excessive claims for fuel tax credits are considered "frivolous tax claims" by the IRS and can be punished by a penalty of up to $5,000. Again, the best way to avoid the legal consequences of such scams is to file returns using the most accurate information available.

(12) Frivolous tax arguments are the final tax scam to appear on the "Dirty Dozen" list. Quite simply, taxpayers should never make exaggerated claims with the intention of avoiding the full payment of the taxes they owe.

While the IRS Criminal Investigation unit and the Department of Justice (DOJ) work diligently to catch the perpetrators of these illegal scams, you are encouraged to play an active role as well. Regardless of whether you are the victim or suspect of a tax scam, you should always be cognizant of the fact that you are legally responsible for the content of your tax returns irrespective of who actually prepared them. Therefore, the best way for you to minimize your risk is to educate yourself of the nature of these scams. For more information, please refer to IRS.gov where you can find a more in-depth review of this year's "Dirty Dozen" tax scams.

COMPASS Capital Market Update

By Louis E. Conrad II, CFA

- After a better than expected 2014 in U.S. stock and bond markets, COMPASS expects returns in the U.S. markets to be muted this year, while international stocks are expected to improve upon their weak 2014 performance.

Last year proved to be a better year for both stocks and bonds than COMPASS had expected. U.S. stocks, as represented by the S&P 500 Index, advanced over 13% for 2014, though this masked weakness among stocks of smaller companies, which did not appreciate as much. International stocks, both in the developed and emerging markets, actually declined in value during the year as the U.S. dollar's strength proved a headwind that international stocks could not overcome.

For 2015, COMPASS believes that the U.S. dollar, while it may appreciate further relative to the euro and emerging market currencies, will not enjoy the same level of appreciation as it did in 2014. This, when combined with the quantitative easing program now being pursued by the European Central Bank, should result in better stock performance overseas this year. COMPASS expects that U.S. stocks will advance 5 – 9% in 2015 given the subdued revenue gains expected and companies' historically high profitability levels.

The performance of bonds last year was most surprising as the interest rate on the 10-year U.S. Treasury ended 2014 at 2.17% after beginning the year at 3.03%. This resulted in a bond rally in which the Barclays Aggregate Bond Index gained 6% in 2014, whereas COMPASS had feared a bond correction if interest rates increased. Consequently, COMPASS positioned client portfolios to have less interest rate risk (also known as duration risk) so that principal would be relatively protected should interest rates advance. Though this positioning did not pay off in 2014, COMPASS continues to believe that interest rates are likely to advance in 2015. If this forecast is proven correct, the diversification and shorter term maturity of the bonds held by COMPASS' clients will help shield their portfolios from what could be a meaningful correction in the general bond market.