



Online Advisor - December 2012

Major Tax Deadlines For December 2012

*December 17 - Due date for calendar-year corporations to pay the last installment of 2012 estimated income tax.

*December 31 - Last day to set up a Keogh retirement plan for 2012. Deductible contributions for 2012 can be made any time up to the filing deadline for your 2012 return.

*December 31 - Deadline to complete 2012 tax-free gifts of up to \$13,000 per recipient.

*December 31 - Deadline for paying expenses you want to be able to deduct on your 2012 income tax return.

DISASTER RELIEF: Filing deadlines and tax payment dates are often extended in disaster areas. For taxpayers living in designated disaster areas, the IRS extends certain filing and tax payment dates. Taxpayers living in the affected areas (and those whose tax professionals are located in those areas) have relief from penalties for filing under the new extended dates. These filing and payment extensions are also available to some relief workers.

Please contact our office if you need specific details about your filing requirements following a major disaster.

NOTE: Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

Payroll tax deposits: Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.



* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

What's New in Taxes

IRS gives tax relief to hurricane victims

Victims of Hurricane Sandy may be entitled to some tax relief, according to an announcement by the IRS. Certain tax filing and payment deadlines from late October on will be extended until February 1, 2013. This includes the final 2012 estimated tax payment normally due January 15, 2013, and payroll and excise taxes normally due October 31, 2012, and January 31, 2013.

The relief applies to taxpayers in the disaster area and those outside the area whose tax professional and/or records are located in the disaster area. Workers assisting in hurricane relief activities conducted by recognized government or philanthropic organizations may also qualify. For more information, contact our office, call IRS toll-free disaster assistance at 1-866-562-5227, or visit www.disasterassistance.gov.

Add taxes to your 2012 year-end to-do list

There's not much time left for making moves that could affect your taxes for 2012. Here are some ideas for you to consider. (Keep an eye on what Congress is doing so that you can factor any tax changes they make into your decisions.)

For individuals

*Tax rates may be lower this year than they're likely to be in future years. If that's the case, you could save taxes by realizing income in 2012 and delaying deductions until 2013, instead of following the more traditional practice of postponing income and accelerating deductions. Estimate your situation for both 2012 and 2013 in deciding what makes most sense for you.

*Decide whether you want to sell appreciated stock or those with losses before year-end. If the maximum long-term capital gain rate goes to 20% next year, compared with 15% this year, you might decide to reverse your strategy on realizing gains and losses in 2012.



*Max out your retirement plan contributions. You can set aside \$5,000 in an IRA (\$6,000 if you're 50 or older), \$11,500 in a SIMPLE (\$14,000 if you're 50 or older), or \$17,000 in a 401(k) plan (\$22,500 if you're 50 or older).

*If you're trying to increase your itemized deductions for 2012 but you're short of cash, pay with a credit card by December 31. You can then deduct the expenses on your 2012 tax return even though you pay your credit card bill in 2013.

*If you plan to sell a security before December 31 to take advantage of a capital loss, don't get caught by the wash sale rules. To make sure the loss is deductible, refrain from buying a substantially identical security during the 61-day period that begins 30 days before you sell and ends 30 days after.

*Make charitable deductions before year-end. Cash and checks mailed by December 31 count as 2012 deductions, as do credit card charges you make by December 31. Donations of stock are deductible when you relinquish control. Allow extra time for stock transfers handled by your broker or a mutual fund company.

*Have you taken your 2012 required minimum distribution (RMD) from your traditional IRA? RMDs for those 70½ and older must be taken by December 31 each year, or a 50% penalty could apply. If you just turned 70½ this year, you could wait until next April 1 to take your first distribution. In deciding, consider the possibility of higher tax rates next year and the fact that a delay means you'll have two taxable distributions for 2013.

New Business

Job and pay update

*Learning a skill helps to get a job. According to Labor Department numbers for the past six months, jobs for those with some college or an associate's degree increased by 578,000 to 35.2 million. Jobs for those with at least a four-year college degree were up by 314,000 to a total of 46.5 million. One possible explanation for the greater job growth for those with two-year degrees: A two-year degree may focus on training and providing skills that lead to finding a job.

*The gap in pay for women vs. men still exists. A study by the American Association of University Women revealed that college-educated women working full time earned an average of 82% of what their male peers earned. A study by the Institute for Women's Policy Research reported that the gender gap in wages for working women in 2011 was 82.2%. One possible explanation: Women tend to



choose lower-paid fields such as education and social sciences, whereas men tend to choose higher-paying fields such as engineering and computer science.

Does your business need a bank line of credit?

Just exactly what is a bank line of credit and who should be using one?

A bank line of credit is not a great deal different from a credit card. You make draws against your line of credit from time to time as you need cash. You pay interest only on the amount of the loan balance outstanding. You are expected to make payments and occasionally bring your outstanding balance to zero. Let's look at an example.

Let's say that your bank has arranged for you to have a \$100,000 line of credit. You are not obligated to draw any of it at any given time, and you will pay no interest until you actually make a draw (much as you do now with a credit card). Assume that you want to build up your inventory for the holiday shopping season and need \$30,000 to do so. After your inventory purchase, you still have \$70,000 available even if the \$30,000 is still outstanding, but you are only paying interest on the \$30,000. You may have several occasions during the year to borrow on your line of credit. Since your line of credit is intended for short-term cash needs, your banker expects your balance to be paid down as your cash flow improves.

Do not use a line of credit for capital purchases. If you need to expand your building or buy new equipment, arrange a term loan for that specific acquisition. You should not use a credit card for such an investment, and you should not use your line of credit for that either.

If your business has at least two years of making a profit, you may well qualify for a bank line of credit. Start by checking with your current bank. Your banker would like to keep your business, and if your financial statements support it, you will most likely be offered a loan. Lines of credit for small amounts may not require collateral. On larger loans, you may need to put up collateral, and you may need a co-signer.

A bank line of credit can make your operation more efficient. There is comfort in knowing that you have a reliable source of instant cash for your short-term needs. Most banks are willing to make loans to businesses that have uneven income cycles. You may want to shop around for the best loan terms. Some banks may already have several customers in your industry and do not want more (perhaps a bank examiner's concern). Accordingly, their terms may be less favorable than some other bank or credit union.



Please contact us if you would like assistance in preparing a request for a bank line of credit.

What's New in Finances

IRS issues charity fraud alert

The IRS is warning people to be aware of fraud connected with Hurricane Sandy. As is usually the case following a natural disaster, scam artists are impersonating charities to get money or financial information from those wanting to help victims of the storm.

The scammers contact people by phone, social media, e-mail, or in person.

To avoid falling for a scam, donate only to recognized charities, and avoid those with names that are similar to real charities. Do not give personal information to those seeking contributions, and don't give cash donations. Contributions by check or credit card provide greater security as well as a record for tax purposes.

Ask these questions before you retire

If you're within a stone's throw of retirement -- for most folks, that's somewhere between the ages of 55 and 65 -- you've probably spent at least a little time dreaming about life after work. But before you turn off the computer and turn in your retirement paperwork, consider three important questions.

*What will you do in retirement? If you love golf, and dream of getting up late and hitting the greens every afternoon, retirement may be just the ticket. But your hobby may not hold the same appeal after a few years. That's why it's important to take stock of your interests, hobbies, and activities before retiring. Consider "field testing" activities you intend to pursue in retirement, such as joining a band, volunteering for a nonprofit organization, or taking classes at a community college. Doing "retirement activities" before you retire can be an eye-opening experience, and may help to separate daydreams from reality.

*Will you work? Studies show that the number of older Americans either holding jobs or looking for work has been rising for at least 15 years. Of course, some folks seek employment out of necessity: bills need to get paid. But for many people, work also provides needed social interaction and a sense of satisfaction. Consequently, some may decide to work at least part-time during retirement -- whether or not they need the money. Another idea that's gaining popularity is called "serial employment." With this strategy, you spend part of your "retirement" years employed in a series of full-time jobs



interspersed with periods of travel and leisure. Such a plan can generate a healthy supplemental income for you and benefits for talent-starved employers.

*Have you saved enough? This, as they say, is the million-dollar question. But how much money you'll need to comfortably retire depends on many factors, including the status of your mortgage and other loans, your general health, expected rates of return on your investments, the size of your current nest egg, life expectancy, plans during retirement (including travel), pensions and other sources of income, the cost of health care and insurance, and myriad other considerations. One size doesn't fit all. So it's important to confer with a trusted advisor who'll help you take a hard look at the numbers -- before you wave goodbye to your employer.

For guidance in your retirement planning, give us a call.

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