



Online Advisor - September 2012

Major Tax Deadlines For September 2012

- * September 17 - Due date for individuals to pay third quarter installment of 2012 estimated tax.
- * September 17 - Due date for filing 2011 tax returns for calendar-year corporations that had an extension of the March 15 filing deadline.
- * September 17 - Due date for filing 2011 partnership tax returns that had an extension of the April 17 filing deadline.
- * October 1 - Deadline for businesses to adopt a SIMPLE retirement plan for 2012.

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

Deadline approaching for tax-exempt organizations

Here's an important reminder for small nonprofit organizations: If your organization had its tax-exempt status revoked for failing to file an annual return from 2007 through 2009, the IRS is giving you a chance to get reinstated.

The IRS has issued guidance for small organizations with gross annual receipts of less than \$50,000 that will allow them to regain tax-exempt status retroaction to the date of revocation. To qualify for this reinstatement and a reduced application fee of \$100, the organization must submit an application postmarked no later than December 31, 2012.

Contact our office if you need details or filing assistance.

Capital gains and losses: New year-end strategy

The end of the year is the traditional time for securities investors to "harvest" capital losses for federal income tax purposes. But there's an added wrinkle in 2012: Due to pending tax law changes, you might try to reap more capital gains than losses. Thus, the usual strategy of harvesting losses could be turned upside down.

Here's a recap of the basic rules. The capital gains and capital losses you realize during the year are "netted" under complex rules when you file your tax return. A gain or loss is treated as being long-term if you've held the securities for more than one year. For 2012, net long-term capital gain is taxed at a maximum tax rate of 15% (0% for investors in the regular 10% and 15% tax brackets).

If you're showing a net capital gain on paper as year-end approaches, any capital losses you realize will reduce the amount of the taxable gain or offset it completely. An excess loss can then offset up to \$3,000 of highly taxed ordinary income before any remainder is carried over to next year. However, the usual strategy of harvesting losses is complicated this year by three key tax law changes scheduled for 2013.

* The maximum tax rate for net long-term capital gain will increase to 20% (10% for investors in the lower tax brackets).



* Ordinary tax rates are going up. For example, the top rates of 33% and 35% will increase to 36% and 39.6%, respectively.

* A special 3.8% Medicare surtax will apply to the lesser of net investment income for the year or the amount by which modified adjusted gross income (MAGI) exceeds \$250,000 (\$200,000 for single filers).

Barring any late legislation by Congress, investors may be inclined to harvest capital gains instead of losses at year-end. As a result, you can benefit from the favorable tax rates in effect for 2012. If you've already realized short-term gains in 2012, you might want to realize short-term losses to offset those gains. But don't use short-term losses to offset long-term gains, if you can help it, because long-term gains are taxed at a maximum rate of only 15% in 2012.

Other considerations may come into play. The best approach is to do what's best for your situation.

New Business

IRS eases reporting requirement on health coverage

The "Affordable Care Act of 2010" requires employers to report the cost of coverage under an employer-sponsored group health plan on the employee's 2012 W-2.

However, employers issuing fewer than 250 W-2s will not need to include the cost of health care on W-2s for 2012. For these employers, the 2012 reporting is optional. And such reporting will not apply for future calendar years until the IRS publishes guidance giving at least six months of advance notice of any change in the filing requirement.

Tips on getting a bank loan for your business

Getting a bank loan for your business may be more difficult than usual in today's economy. However, if you give your bank a thorough, organized, and well-supported loan proposal, you'll increase your chances of getting the money your business needs.

* **Apply early.** Applying early shows that you're planning, not reacting. Also, if you wait until the last minute, you're likely to leave out necessary information.



* **Prepare a loan proposal.** Many small businesses, especially first-time borrowers, fail to prepare a formal loan proposal. This is a mistake. The loan proposal, together with cover letter and supporting documentation, gives you a chance to explain your request clearly and thoroughly.

* **Give the bank what it needs to know.** Be prepared to present detailed, well-supported answers to the following questions. How much money do you need? For what purpose? How long do you need it? How will you repay it? What collateral are you willing to put up, and how much is it worth?

* **Include all essential documents.** With respect to your business, you'll probably need at least the last three annual financial reports and tax returns, the most recent interim report, and a recent aging schedule for accounts receivable. You may also have to provide personal information, including a current personal financial statement and your last three tax returns. For business equipment and real estate, you may have to provide a recent appraisal.

* **Give bad news as well as good.** Your personal character is the most important nonfinancial part of your loan proposal. Increase your credibility by revealing your financial skeletons ahead of time.

If you do your homework and prepare thoroughly, you're more likely to obtain the money you need. Contact us for assistance in preparing your loan proposal.

What's New in Finances

Changes coming for flexible spending accounts

Flexible spending accounts (FSAs) are popular with employees because they permit the use of pretax dollars for payment of medical expenses and dependent care costs.

If you use an FSA, be aware that changes are scheduled beginning next year. As part of the health care reform law passed in 2010, there will be a dollar limit on the amount that can be set aside for medical expenses. Effective for plan years starting in 2013, the maximum set-aside for medical expenses will be \$2,500.

The limit on what can be set aside for dependent care costs will not change; it remains at \$5,000.

Keep an eye on any upcoming legislation that may change these rules again.



Have you protected your family?

Would your family be financially secure if tragedy struck? Before you answer, consider the following areas.

* **Insurance.** Do you carry the right kinds and amounts of insurance, including life, disability, and property? Life insurance coverage can typically run from five to seven times your annual earnings. Disability insurance should pay 60-70% of your current income if you become disabled. Auto and homeowner insurance are needed to protect you from property loss and personal liability, but if you have substantial assets, you should also consider an umbrella liability policy.

* **Estate planning.** There are basic steps that you should take to keep your estate plan current. Make a complete and accurate inventory of your assets and their current value. Include the form of ownership of each asset, and find out if any changes should be made to reduce future estate taxes. Be sure you have a current will. Consider using a durable power of attorney to designate someone to make financial and health care decisions for you if you become incapacitated.

* **Emergency cash reserve.** Do you have an emergency fund of three to six months of your salary to support your family during a financial setback? If your emergency fund is not adequate to handle a financial crisis, you may need to tap some other source, such as a home equity loan, a margin loan against your stocks, or a loan against the cash value of your life insurance.

* **Recordkeeping.** Good records will be helpful if the unexpected happens. Be sure your financial documents and account statements are kept in secure locations and that your family knows where to find them.

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