Cirimelli, Pyle & Associates LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor - June 2013

Major Tax Deadlines
For June 2013

* June 17 - Second quarter 2013 individual estimated tax is due.

* June 17 - Due date for calendar-year corporations to pay second installment of 2013 estimated tax.

* June 17 - Due date for calendar-year trusts and estates to pay second installment of 2013 estimated tax.

* June 28 - Report on foreign financial assets and accounts (FBAR) must be received by the Treasury Department.

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

Don't fall for bogus IRS e-mails

Crooks wanting to steal your identity are using bogus e-mails and websites designed to look like genuine IRS communications. You might expect the April 15 filing deadline to mark the end of these scams, but they, in fact, are expected to continue for months.

An example of these bogus e-mails: You receive a message confirming IRS receipt of your tax return, but the IRS needs more information to process your return. The e-mail looks official and completely legitimate. But it isn't. The IRS does NOT contact taxpayers asking for personal and financial information. These e-mails should be deleted immediately. Fake IRS websites are also created by scammers to lure victims into filling out forms providing information that results in identity theft.

Recordkeeping: How to get all that paper under control

It's spring cleaning time, and that includes your tax paperwork. While it can get a bit confusing, there are some general guidelines that you can follow.

* Income tax returns. These should be kept indefinitely. You would be amazed how many times the IRS will "lose" a tax return, and this is your only way to prove original filing. You should also keep the various back-up documents associated with the return, such as W-2 forms, mortgage interest statements, year-end brokerage statements, interest/dividend income statements, etc. This may seem like overkill, but you never know when you might need these documents for other purposes.

* Supporting documents. These are things like cancelled checks, receipts, expense and travel diaries. With respect to retaining these items: three years minimum, five years is better, and seven years is best. How long you keep these records depends on your storage area and/or tolerance for potential audit.

* Stock/bond/mutual fund purchase confirmations. These are documents that you need to retain during the time that you own the stock or mutual fund. They can be destroyed 3/5/7 years after the date of the sale of these assets. While many brokers are now reporting your fund purchase price, many records are still unavailable to them, so they cannot report your cost basis. It's ultimately up to you to prove your cost of these purchases.

* Real property escrow/title statements. This is the document that you receive when you purchase property. Generally called a HUD-1, closing statement, or settlement statement, they are provided to you at your property closing by your title agent, escrow agent, or attorney. These are also documents

that you need to retain during the time that you own the property in order to prove your purchase price at the time that you sell the property. The ultimate purging of these documents also follows the 3/5/7 year provisions after the date of the sale.

And when you do finally decide to get rid of those old documents, do so carefully. Many documents will carry your social security number, bank/brokerage account number, and other bits of information that could lead to theft of your identity. So make sure that any documents that you get rid of are properly shredded or otherwise completely destroyed.

New Business

Employers have a new withholding obligation

The Medicare tax that employees pay on their wages increases this year from 1.45% to 2.35% on earnings over $200,000 for singles and $250,000 for married couples.

Employers are required to withhold the additional tax from wages exceeding $200,000, regardless of the individual's marital or filing status. They are not required to inform employees when they begin the additional withholding, nor are they required to match the additional withholding. Employers who fail to do the required withholding may be subject to penalties, in addition to the tax.

Six mistakes to avoid in selling your business

Most entrepreneurs eventually think about selling their businesses, whether as a prelude to retirement or to pursue other activities. In doing so, they often underestimate the effort required for a satisfactory outcome and overestimate the value and salability of their enterprises. If you're contemplating selling, here are some common mistakes to avoid.

1. Overestimating the value of your business.

Your price should be based on the fair market value of the business in its current form. Buyers won't care about the work you've put into building your business or your unique vision for its future.

2. Failing to account for the nature and make-up of your business.

The values of most businesses proceed from a mixture of variables. If your business includes significant equipment, real estate, intellectual property, or other such assets, their values should be separately established before being factored into the overall price. If you're selling a service or professional firm, much of its value may depend on the experience and skills of your managers and employees. In such a case, the price may vary according to the expected retention of key individuals.

3. Failing to base your sale price upon independent appraisals.

Even if you think you know the value of your business, you should obtain two or more outside appraisals from professionals familiar with your industry. If the appraisals conflict with your opinion, they'll provide a much-needed reality check. If they confirm your opinion, they'll become a useful sales tool.

4. Not hiring a professional business broker to handle the sale.

Owners are often too personally invested (and/or eager to sell) to effectively negotiate sales of their businesses. A broker familiar with your type of business will know what issues are important to buyers and what characteristics to emphasize or de-emphasize, without becoming emotionally involved.

5. Neglecting to work with the buyer to ensure a smooth transition.

Nobody likes being thrust into unfamiliar circumstances without preparation. Notifying your managers, employees, and customers in advance and doing all you can to allay their concerns will serve your own best interests, as well as being the honorable thing to do. Discontent on the part of any of the affected parties could result in conflicts, reduced revenue for the buyer, withheld sale payments, and litigation.

6. Being unwilling to help finance the sale.

If you're unwilling to take back a note, your sale price is limited to the buyer's cash and ability to obtain outside financing. At best this could limit the number of potential buyers, and at worst it could limit your sale proceeds. (Conversely, if you finance too much of the sale price, you'll increase the risk of default.)

Selling your business is too important to attempt without professional help. If you're considering selling, call us for an appointment to help formulate your plan.

What's New in Finances

Disability insurance is important coverage

Statistics published by the Social Security Administration state that just over one in four of today's 20-year-olds will become disabled before they retire. Other statistics show that 68% of adults have no savings set aside for emergencies such as a period of disability.

These facts lead to one conclusion: Most individuals should consider disability insurance in their financial planning. To get the right coverage for you, take the following steps:

* Scrutinize key policy terms. First, ask how "disability" is defined. Some policies use "any occupation" to determine if you are fit for work following an illness or accident. A better definition is "own occupation," whereby you receive benefits when you cannot perform the job you held at the time you became disabled.

* Check the benefit period. Ideally, your policy should cover disabilities until you'll be eligible for Medicare and social security.

* Determine how much coverage you need. Tally the after-tax income you would have from all sources during a period of disability and subtract this sum from your minimum needs.

* Decide what you can afford. Disability insurance is not inexpensive. Plan to forgo riders and options which boost premiums significantly. If your budget won't support the ideal benefit payment, consider lengthening the elimination period (but be sure that accumulated sick leave, savings, etc., will carry you until the benefits kick in).

Ask your insurance agent about the options available to you.

Discuss financial issues with elderly parents

As life expectancy rises, children increasingly find themselves taking care of elderly parents who are often in deteriorating physical or mental health. This can be stressful, both emotionally and financially. But at least on the financial side there are some things you can do to make it easier.

The first thing to do is to talk to your parents about their financial affairs. This may be difficult. Not only is the topic unpleasant, but most parents are reluctant to share their private affairs, even with their children. But persevere. You need to know the names of their lawyer and accountant and details of their bank accounts and insurance policies. Do they have a will, and if so, where is it? If they're still fit, encourage them to make up a list of the details for you. If not, you'll have to assemble it with their help. But don't delay. A sudden accident or illness could leave them physically or mentally impaired, and you'll have to hunt through their records to find the information.

Once you know their financial picture, you can start to fill in the blanks. At a minimum they should have a will, and you should have a durable power of attorney allowing you to act for them if they are disabled. Encourage them to set up a living will, giving directions for their medical care. Review whether their retirement income and savings are sufficient, especially if they might eventually need nursing home care. Assess whether long-term care insurance makes sense for them. Check out whether Medicare or Medicaid might help.