



Online Advisor - October 2013

Major Tax Deadlines For October 2013

* October 1 - Generally, the deadline for self-employed and small businesses to establish a SIMPLE retirement plan for 2013.

* October 15 - Deadline for filing 2012 individual tax returns on automatic extension of the April 15 filing deadline.

* October 15 - If you converted a regular IRA to a Roth IRA in 2012 and now want to switch back to a regular IRA, you have until October 15, 2013, to do so without penalty.

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 issues rules on recognizing same-sex marriages

Married same-sex couples will be treated for federal tax purposes just like opposite-sex couples, according to a recent IRS announcement. Same-sex couples who were married in a jurisdiction,



domestic or foreign, that recognized their marriage as legal will be treated as married for federal tax purposes even if they live in a state that does not recognize same-sex marriages as legal.

The rule, known as the "state of celebration" rule, will allow same-sex couples to live anywhere they like, provided they were married where same-sex marriages were legal.

The IRS rule applies to all federal taxes - income, gift, and estate taxes. Areas that will be affected include such things as personal and dependent exemptions, social security benefits and taxes, IRA contributions and other IRA rules, and tax credits.

Don't get tripped up by a wash sale

Are you eyeing your portfolio with year-end investment loss harvesting in mind? Before you place those sell orders, take a moment to review the "wash sale" rules.

A wash sale occurs when you sell a stock, bond, or mutual fund and buy the same or a substantially identical security within 30 days before or after the sale. When this happens, you're barred from deducting a tax loss on the sale. Instead, your cost basis of the new security is increased by the loss.

Example. Say you sell 100 shares of XYZ mutual fund at a loss of \$3 per share. A week later, you regret your decision and buy another 100 shares of XYZ fund. Your original loss of \$300 will be disallowed, and you'll add the \$300 to your cost basis in the new shares.

Beware this trap. Also be aware of a possible trap if you use an automatic purchase plan or dividend reinvestment plan. If these plans cause you to acquire more shares of a stock or fund within 30 days of a sale, the wash sale rules will apply to your sale.

How can you avoid a wash sale? You can avoid a wash sale if you make your purchase more than 30 days before or after the sale date. Also, you can buy shares in a different but similar stock or mutual fund without triggering a wash sale.

If you have questions about the wash sale rules, please call us.



New Business

Employer health insurance mandate delayed for one year

The health care reform law passed in 2010 included a provision that would require employers of 50 or more full-time employees to provide affordable health insurance to their workers or face steep penalties. That provision was scheduled to take effect January 1, 2014.

The Treasury Department has announced that the effective date of this provision will be postponed for one year. The mandatory employer and insurer reporting requirements and any penalties connected with them will be delayed in order to allow more time for companies to adapt to meet the requirements.

Get organized for 1099 reporting

The end of a year and the start of another are always busy times for companies. You're trying to get business off to a good start in the new year, you're trying to close the books on the prior year, and you have to prepare and file 1099 forms by the end of January.

Every trade or business must file 1099 forms for each year that certain payments are made to noncorporate recipients. A Form 1099 is generally not needed for payments to corporate vendors other than attorneys and corporations providing medical and health care services.

The two most common information returns for most small businesses are Forms 1099-INT and 1099-MISC. Interest paid in the course of a trade or business is reported on 1099-INT when the amount paid totals \$600 or more to any payee. The 1099-MISC is used to report payments of rents or services of \$600 or more in any one year to a payee.

*** Form 1099-MISC**

Typical payees for whom you might need a 1099-MISC would be cleaning services, contractors, consultants, landlords, and professional services. Most small businesses have at least one or more nonemployees to whom they have paid \$600 or more during the year.

In many businesses, there's a last minute scramble to find out who needs to receive a 1099-MISC and what their current address and taxpayer ID number is. If you want to avoid the usual panic, start now to assemble the list of recipients, verify if they're a corporation or not, and obtain their taxpayer ID and



address information. You won't know the dollar amount to report until after year-end, but you'll have all you need to take this last-minute scramble out of this filing requirement.

Contact our office if you need more information on your 1099 reporting requirements.

What's New in Finances

Deadline for undoing a Roth is approaching

If you converted your traditional IRA to a Roth IRA in 2012 and now wish you hadn't, you'll want to know about this October 15, 2013, deadline. Up until that date, you can change your mind about the original conversion and switch your Roth back to a traditional IRA without penalty.

The tax term for this "do-over" election is recharacterization. It works like this: Say the value of the assets you converted to a Roth during 2012 has declined. That means if you had waited until now to convert, you would have ended up paying less tax. Reversing your 2012 decision puts you back in the position you were in before the Roth conversion and wipes out your original tax liability.

Even better, you can still do another traditional-to-Roth conversion after recharacterizing. While the option of splitting the income over future years is no longer available, you can achieve the same effect by reconverting over a multi-year period. Just be aware that time restrictions may apply on this strategy. For details or assistance, give us a call.

How to keep bank fees low

Today many financial institutions are charging new fees - and increasing the level of existing charges - to lessen their exposure to volatile markets. As a consumer, it's prudent to know about these various fees and how to avoid at least some of them.

* **ATM fees.** Banks make billions each year on automated teller fees, and they can add up quickly for consumers. For example, two "foreign" withdrawals a week (from a bank that's not your own) could cost you over \$300 a year in fees. Generally speaking, you won't be charged for withdrawals from your own bank's ATM, but if you use another bank's automated teller, expect to be charged as much as three dollars per transaction. Fortunately, this is an easy fee to avoid. Some financial institutions belong to networks that have agreed to waive ATM fees for their customers. Find out which banks or credit unions are tied to your network and frequent only those ATMs. Also, instead of making lots of little withdrawals to get your lattes and toothpaste, make less frequent larger withdrawals from your own bank's automated teller. Of course this takes discipline, both up front and after the money's in



your wallet. But ask yourself, "Do I really want to pay hundreds of dollars a year in ATM fees just to get my own money?"

* **Overdraft fees.** Banks will charge you if your account doesn't have sufficient funds to cover checks, ATM withdrawals, and electronic payments. These fees can really hurt. For example, a bank might charge \$25 for the first bounced check, \$30 for the next three incidents, and \$35 for checks that bounce thereafter. Some accounts have "courtesy overdraft" or "bounce protection" features, but often these come with a hefty price tag to cover overdrafts. How can you avoid overdraft fees? Reconcile your bank balance with your check register every month. Record checks and online bill payments at the time of each transaction. Review your account balance during the month, either by phone or online. If you're not the world's greatest bookkeeper, keep extra cash as a cushion in your account as your own "overdraft protection."

Overdraft fees, ATM charges, and other fees can be avoided with a little forethought and discipline.

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.