



## **Online Advisor - February 2014**

### **Major Tax Deadlines For February 2014**

- \* February 18 – Deadline for brokers to provide 2013 Forms 1099-B and 1099-S to customers.
- \* February 28 – Payers must file 2013 information returns (such as 1099s) with the IRS. (Electronic filers have until March 31 to file.)
- \* February 28 – Employers must send 2013 W-2 copies to the Social Security Administration. (Electronic filers have until March 31 to file.)

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 phone scam alert**

The IRS has issued a warning about the latest phone scam. The caller claims to be from the IRS and tells the intended victims they owe taxes which must be paid immediately with a pre-paid debit card or



wire transfer. Individuals who don't pay up are threatened with arrest or loss of their business or driver's license.

Watch for these signs that the call is a scam:

- \* Use of fake IRS badge numbers.
- \* Caller knows the last four digits of your social security number.
- \* Caller ID appears as if IRS is calling.
- \* Bogus IRS e-mail is sent as follow-up.
- \* Second call claims to be from police or DMV, again supported by fraudulent caller ID.

Don't respond in any way to these scams; instead forward the scam e-mail to [phishing@irs.gov](mailto:phishing@irs.gov), or file a complaint at [FTC.gov](http://FTC.gov).

## IRS makes inflation adjustments to 2014 tax numbers

Each year the IRS adjusts certain tax numbers for inflation and tax law changes. Here are some of the adjusted numbers you'll need for your 2014 tax planning.

- \* Standard mileage rate for business driving decreases to 56¢ a mile. Rate for medical and moving mileage decreases to 23.5¢ a mile. Rate for charitable driving remains at 14¢ a mile.
- \* Section 179 maximum first-year expensing deduction decreases to \$25,000, with a phase-out threshold of \$200,000.
- \* Social security taxable wage limit increases to \$117,000. Retirees under full retirement age can earn up to \$15,480 without losing benefits.
- \* Kiddie tax threshold remains at \$2,000 and applies up to age 19 (up to age 24 for full-time students).
- \* Nanny tax threshold increases to \$1,900.
- \* Health savings account (HSA) contribution limit increases to \$3,300 for individuals and to \$6,550 for families. An additional \$1,000 may be contributed by those 55 or older.



- \* 401(k) maximum salary deferral remains at \$17,500 (\$23,000 for 50 and older).
- \* SIMPLE maximum salary deferral remains at \$12,000 (\$14,500 for 50 and older).
- \* IRA contribution limit remains at \$5,500 (\$6,500 for 50 and older).
- \* Estate tax top rate remains at 40%, and the exemption amount increases to \$5,340,000.
- \* The annual gift tax exclusion remains at \$14,000.
- \* Tax credit for adopting a child is \$13,190 for 2014.
- \* Alternative minimum tax exemption amounts increase to \$52,800 for single taxpayers and \$82,100 for married couples filing a joint return.
- \* Limit on transportation fringe benefit is \$130 for vehicle/transit passes and \$250 for qualified parking.

## **New Business**

Are you overlooking this business tax credit?

The health insurance premium credit for small businesses has been available since 2010. According to a recent report, many businesses that qualify for this credit have failed to take it.

Even if your business hasn't taken this credit in the past, you may want to look into it this year. For 2014, the credit increases from 35% to 50%. When you qualify, you can use the credit to offset your federal income tax liability by up to 50% of the cost of health insurance premiums you pay for employees.

**Three general tests for eligibility are:**

- \* Employing fewer than 25 "full-time equivalent" employees.
- \* Paying average annual wages of less than \$50,000.
- \* Paying at least 50% of health insurance premiums for those employees.



Each test has specific requirements. For example, you may qualify for the credit, in full or in part, when you have more than 25 employees. That's because "full-time equivalent" is based on hours your employees worked during the year.

In addition, some employees aren't counted for purposes of the credit, such as seasonal staff who were on the payroll for less than 120 days. Other excluded workers are sole proprietors, owner/employees, and shareholders who own more than 2% of the stock of an S corporation.

For assistance in reviewing your eligibility for the credit, contact our office.

## **Starting a business? Don't forget the tax man**

Before you launch a new business, it's a good idea to prepare for an uninvited partner — the tax man. Knowing your tax obligations in advance can save time, money, and even the life of your business. Here are a few tips:

- \* Open a separate checking account for your company, and don't mix your business and personal payments. IRS auditors are trained to hunt for, and disallow, personal expenses claimed as business deductions.
- \* Apply for an employer identification number (EIN). Even if you're a sole proprietor with no employees, you'll need an EIN to start a self-employed retirement plan. Go to [irs.gov](http://irs.gov) and search "EIN online" to get a number.
- \* Keep complete accounting records. Although no special system is required by the government, your records must clearly reflect your income and expenses. Save business papers such as canceled checks, receipts, and invoices. You'll need them if you're audited later on.
- \* If you're a sole proprietor, partner, or owner of a limited liability company, you could owe substantial self-employment tax. This tax should be included with your quarterly estimated income tax payments on Form 1040ES.
- \* Depending on your location and type of business, you also could owe state and local taxes on income, gross receipts, payroll, or business property.

With all these issues, it's wise to consult a professional before getting started. An accountant can advise you about the specific tax requirements for your business, set up records that will pass government scrutiny, and continue to guide you as your business grows. Your payoff will be more time to build your firm and peace of mind while you're doing it. Please give us a call.



## What's New in Finances

### Don't fall victim to Obamacare scams

The Affordable Care Act (called "Obamacare" by advocates and detractors alike) has become a fertile field for con artists. Here's a sampling of scams currently being foisted on an unsuspecting public.

\* Get a new health insurance card or face jail time. It's true that most people are required to purchase health insurance under the new law. But jail time? No. The penalty (in 2014) for failing to buy insurance is 1% of your income or \$95, whichever is greater. This is just another scare tactic designed to steal your identity. You're told to sign up for a (totally unnecessary) health insurance card via a website that collects confidential data. Don't fall for it.

\* Sign in to my fake exchange. Under the new law, helpers called "navigators" have been given the job of assisting consumers who want to enroll via newly established state websites. Of course, fraudsters know how to set up websites too, even official-looking ones. Again, the goal is to get your personal information. If in doubt, contact your state's department of insurance.

\* Young adult? You need our insurance. One provision of the new act allows young adults (under age 26) to remain on their parents' insurance policy. Confusion over this part of the law provides an open door for scammers. If your children meet the age requirements, they don't need to buy a separate policy.

\* Don't forget your "death panel" insurance. Obamacare doesn't provide for "death panels" that make end-of-life decisions for seniors. You don't need insurance to protect you from this nonexistent contingency.

\* Buy Obamacare insurance over the phone or at your doorstep. If someone calls on the phone or shows up at your front door claiming to be from the federal government, tell them to wait while you verify their credentials. They'll likely hang up or leave in short order. In fact, federal agencies don't make cold calls, send unsolicited emails, or go door-to-door trying to sell insurance or gather personal information.

Want to avoid becoming a victim of Obamacare fraud? Learn about the law. And, as always, keep your personal information under lock and key.



## **Facing the financial issues after the death of a spouse**

The death of a spouse can be a devastating experience, both emotionally and financially. As the survivor, you'll have to make important decisions while you're in what could be the most vulnerable and distracted stage of your life. The suggestions that follow might at least help ease your financial stress.

- \* Don't make major decisions right away. Put off selling your house, moving in with your grown children, giving everything away, liquidating your investments, or buying new financial products.
- \* Get professional help. You'll need an attorney to help interpret and explain the will and/or applicable law and implement the estate settlement; your accountant to provide financial advice and prepare the necessary tax documents; one or more insurance brokers to help with filing and collecting death benefits; and a funeral director, who in addition to the obvious services, can obtain needed copies of the death certificate.
- \* Gather and review any applicable documents, such as the decedent's social security card and statements, insurance policies, loan and lease agreements, your spouse's birth certificate, the death certificate, investment paperwork, mortgage statements and agreements, deeds, retirement plans and related statements, credit cards and credit card statements, employment and/or partnership agreements, divorce agreements, funeral directives and/or contracts, safe deposit box information, and tax returns. (You'll need a dozen or more copies of the death certificate to provide to insurance companies, government agencies, creditors, credit card agencies, banks, and a host of others.)
- \* Determine who must be paid, and when. You'll need to notify your spouse's creditors (including joint creditors) and continue paying for mortgages, car loans, credit cards, utilities, and insurance premiums not specific to your spouse. Notify health insurance companies (including Medicare) that you'll no longer be paying your spouse's premiums, and cancel your spouse's memberships and subscriptions.
- \* Alert the credit card agencies (Experian, Equifax, and TransUnion). Request addition of a "deceased notice" and a "do not issue credit" statement to the decedent's file. Order credit reports, which will provide a complete record of your spouse's open credit cards.
- \* Determine what payments are due to you, such as insurance proceeds, social security or veteran's benefits, and pension payouts. File claims where needed.
- \* Maintain your joint checking account to facilitate the deposit of incoming checks payable to your spouse.



Finally, call us as soon as you can. We're always ready to advise and assist you, before or after life's tragic events.

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.