Cirimelli, Pyle & Associates LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – July 2014

Major Tax Deadlines For July 2014

* **July 31 -** Due date for filing retirement or employee benefit plan returns (5500 series) for plans on a calendar year.

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 urges record backup

With the frequent occurrence of natural disasters, the IRS has issued a reminder to taxpayers to safeguard their records with a document backup plan. Backup records should be stored away from the original set.

The IRS News Release suggests scanning original records and storing them in the cloud or on storage devices. Individuals should consider taking photos of their home's contents, especially high-value items, to use for insurance or casualty loss claims.

Wedding plans should include some tax planning

Ask the typical summer bride and groom what's included in the wedding plans, and they probably won't mention a thorough tax review. Yet, the tax and financial aspects of getting married are not to be taken lightly. Consider the following issues:

*** Tax penalties.** Marriage causes many tax regulations to take effect retroactively; that is, if you are married as of December 31, some rules apply as if you were married for the entire year. For instance, the total annual wages of both spouses are combined on a joint return regardless of when the wedding took place. Because two wage-earners filing jointly will often pay more tax than if they filed as singles, this can cause a tax problem that needs to be addressed. You may need to increase your withholding or estimated tax payments, or you could face penalty and interest charges on underpaid taxes.

Marriage can affect deductions too. Combined incomes can reduce itemized deductions, such as medical expenses and casualty losses, by raising adjusted gross income (AGI). So, if one spouse has significant medical expenses, filing jointly might reduce their tax deduction. Overall itemized deductions are further reduced when AGI for 2014 exceeds $305,050. If your combined incomes exceed this amount, you might see a noticeable decline in your allowable deductions.

*** Tax benefits.** But marriage also has its tax advantages. A wage-earning spouse can make an additional $5,500 IRA contribution for an unemployed spouse.

Married homeowners also get double the gain exclusion, from $250,000 to $500,000, when selling their home. The only catch is that both spouses must have lived in the home for two years, and neither spouse can have used the exclusion in the previous two years. Clearly, couples that own a home should carefully plan future sales to take advantage of this tax break.

Estate taxes can be lightened by marriage, with a doubling of the exemption amount. Also, married taxpayers can jointly make tax-free gifts of up to $28,000 per year, double the amount a single taxpayer can make.

Wedding bells may be ringing soon, but before you walk down the aisle, consider an analysis of the tax and financial issues in marriage. It may just be the most important item in your wedding plans.

New Business

IRS to conduct employer survey

In September the IRS will be sending a survey to 10,000 employers to collect information on tax compliance issues.

The survey will ask employers about the time, money, and other resources they spend in dealing with compliance requirements, such as income tax withholding, processing Forms W-2, and filing taxes.

The IRS says it will use the data collected to reduce employer compliance burdens. The survey is voluntary; employers who receive a survey and choose not to respond will not be penalized.

Trademark, Patent, or Copyright? What is the difference?

Why should your small business care about getting protection for your intellectual property? Many very successful medium to large businesses started out small. Their patents, trademarks, and copyrights are keeping others from infringing on their markets. The search and registration for these legal protections might also let you know whether or not you are infringing on others' rights before you invest time and money in a name, product, or process.

* **Patent.** A patent for your invention is issued by the U.S. Patent and Trademark Office. A patent gives you the right to exclude others from making, using, selling, or importing your invention for a period of twenty years. If you are looking to obtain a patent, you are well advised to engage the services of an attorney.

* **Copyright.** A copyright is protection for literary, dramatic, artistic, musical, and other published or unpublished intellectual works. The current copyright law in the United States, generally gives the owner of a copyright the exclusive right to the use of the copyrighted work for his life plus seventy years.

* **Trademark.** A trademark (TM) is also known as a servicemark (SM) when it refers to a service instead of a product. A "mark" can be a word, phrase, or symbol that is used to distinguish the source of your goods or services from that of others.

Obtaining a patent, copyright, or trademark does not grant you the use of an Internet URL. You would be wise to secure your URL early on in the planning process.

You may save yourself time and money by engaging expert legal assistance to protect your intellectual property rights.

What's New in Finances

IRS publishes HSA contribution limits for 2015

The IRS recently announced the inflation-adjusted contribution limits for health savings accounts (HSAs) for 2015. HSAs allow taxpayers with high-deductible health insurance plans to set aside pretax dollars that can be withdrawn tax-free to pay unreimbursed medical expenses.

The 2015 contribution limit for individuals is $3,350; the limit for family coverage is $6,650. A catch-up contribution of an additional $1,000 is permitted for individuals who are 55 or older.

Consider more than interest rates before you refinance your home mortgage

When market interest rates dip, it may be a good time to consider refinancing your existing home loan. But simply comparing interest rates is not enough. Here are some other factors to consider before you refinance.

* **Compare apples to apples.** Always request a good-faith estimate from any lender. This report should disclose all the fees and closing costs, such as points, credit report fees, inspection fees, private mortgage insurance, and appraisal fees. Use this information to evaluate competing loan proposals.

* **Calculate your breakeven period.** This is the length of time it takes you to recover the costs a lender typically charges to refinance your mortgage. To do this, divide your closing costs by your monthly savings (your current loan payment minus your new loan payment). If you plan on selling your home in the near future, refinancing may not save you money because it usually takes several years to recover your closing costs through a lower monthly payment.

* **Read the loan agreement.** Before you pay off your existing mortgage, check your loan for an early payment penalty clause. In addition, make sure you read and understand the terms of your new loan. For example, watch for restrictions against renting out your property without your lender's consent.

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* **Evaluate the risks of debt consolidation.** When you refinance, it may be tempting to consolidate high-interest personal debts into a single lower-interest home loan. Securing a consolidation loan with your home may turn your interest into a tax deduction, but be aware of the risks as well. If you can't make the payments, you could lose your home.

Whether refinancing makes sense in your particular situation depends upon a number of factors. Call us; we can work with you to review your financial situation and help you select the loan that best fits your needs.

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.

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