CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor - March 2014

Major Tax Deadlines For March 2014

* March 3 – Farmers and fishermen who did not make 2013 estimated tax payments must file 2013 tax returns and pay taxes in full.

* March 9 – Daylight Saving Time begins.

* March 17 – 2013 calendar-year corporation income tax returns are due.

* March 17 – Deadline for calendar-year corporations to elect S corporation status for 2014.

* March 31 – Deadline for payers who file electronically to file 2013 information returns (such as 1099s) with the IRS.

* March 31 – Deadline for employers who file electronically to send copies of 2013 W-2s to the Social Security Administration.

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 reminds taxpayers about refund options

You can receive your income tax refund in several ways: (1) direct deposit into a single checking or savings account, (2) direct deposit split into up to three different accounts in up to three different U.S. financial institutions, (3) via a paper check, or (4) purchasing up to $5,000 U.S. Series I savings bonds.

Split deposits need not be in equal amounts, though buying savings bonds must be done in multiples of $50. You can't split your refund between a direct deposit and a paper check. For direct deposits, verify that your financial institution accepts such deposits, and verify account and routing numbers.

If you make gifts, you may have to file a gift tax return

Are you planning to give sizeable gifts to family members this year? Due to generous provisions in the tax code, you may not owe any federal gift tax, but you still might be required to a file a gift tax return.

Here's a quick review of the basic rules. Despite a common misconception, gift tax is paid by the gift giver, or "donor," not the recipient, or "donee." This applies to gifts of cash, property, and other interests. For 2013 and thereafter, the top gift tax rate is permanently set at 40%, a slight increase from 35% in 2012. However, you may be able to avoid gift tax liability due to two key tax breaks.

*** Annual gift tax exclusion**

Under the exclusion, annual gifts to a donee valued up to $14,000 in 2014 (the same as in 2013) are completely exempt from gift tax. Note that the exclusion is available for gifts to as many recipients as you choose.

*** Lifetime gift tax exclusion**

In addition to any amount covered by the annual gift tax exclusion, you can benefit from a lifetime gift tax exemption of $5 million, inflation-indexed to $5.34 million in 2014. However, this exemption is unified with the federal estate tax exemption, so amounts used for gifts will erode the tax shelter available for bequests from your estate.

Generally, you don't have to file a gift tax return, Form 709, for gifts covered by the annual exclusion, but you must file this form if you tap into the lifetime exemption amount. Also, when you make a "split gift" with your spouse, the annual exclusion amount is doubled to $28,000 per donee, but a gift tax return is required even if you don't owe any tax. Furthermore, if you give a gift of a "future interest," such as a transfer of assets to a trust, a gift tax return must be filed in any event.

In some cases, you might file a gift tax return when you're not legally required to. This starts the statute of limitations running on the time the IRS will have to challenge the valuation of the gift. It also discloses the gift for other purposes.

The deadline for filing federal gift tax returns is the same as the one for income tax returns. Thus, if you gave more than $14,000 to a donee in 2013, you have until April 15, 2014, to file the return, but you can apply for an automatic six-month filing extension. Caution: This extension is for filing only and not payment of any gift tax that is owed.

New Business

Health insurance mandate extended again

On February 10, 2014, the Treasury Department issued rules that will allow certain businesses to delay for one more year the requirement to provide minimum, affordable health insurance to their workers.

Businesses with 50 to 99 employees now have until January 1, 2016, to provide health insurance for employees or face penalties. In order to qualify for this extension, employers must certify that they have not laid off employees in order to come under the 100 employee threshold. Large employers – those with 100 or more employees – must still comply with the health insurance mandate by January 1, 2015.

IRS issues "repair regulations"

To expense or to capitalize? If you buy, build, or repair business assets, you might ask that question when deciding whether your costs are currently deductible on your federal income tax return or whether they're considered capital improvements. Since deductions for capital improvements are typically spread over the life of an asset, the answer can be important even when accelerated depreciation methods are available.

New tax rules can make the expense-or-capitalize decision easier. These "repair regulations" provide guidelines and safe harbors to help you determine when certain purchases and expenditures are considered repairs, maintenance, improvements, materials, or supplies that can be deducted in the year of purchase. Here's an overview of safe harbor rules that may affect the way you classify expenses.

* **De minimis purchases.** In general, you can deduct the cost of tangible property purchased during a taxable year if the amount you pay for the property is less than $500 per invoice, or per item. This is an all-or-nothing rule, meaning if an asset costs more than $500, you cannot take a partial deduction.

To take the deduction, you'll need a written accounting policy in place by the beginning of your tax year, and you're required to file an annual statement with your federal tax return.

Note: This safe harbor does not apply to intangible assets such as computer software.

* **Repairs and maintenance.** You can expense costs for routine maintenance of buildings and other property. For buildings, "routine" means maintenance you expect to perform more than once in a ten-year period. The costs for material additions or defects or for adapting your property to a new or different use are not considered routine maintenance, and they should be capitalized.

For other assets, "routine" is defined as maintenance you expect to undertake more than once during the asset's depreciable class life.

* **Improvements.** Generally, improvements you make to your business building are capitalized and depreciated over the life of the building. Under the new rules, if your business's gross receipts are $10 million or less and the unadjusted basis of your building is $1 million or less, you may choose to write off the cost of improvements.

You can make the election annually on a building-by-building basis for property you own or lease by filing a statement with your tax return. To qualify, the total amount you pay during the year for repairs, maintenance, and improvements cannot be greater than $10,000 or 2% of the unadjusted basis of the building, whichever is less.

Note: The total includes amounts you deduct under the "repairs and maintenance" and "de minimis" safe harbors.

* **Materials and supplies.** Incidental materials and supplies – supplies for which you do not maintain an inventory – costing less than $200 can be expensed in the year of purchase.

Note: This safe harbor does not affect prior rules for deducting materials and supplies, such as restaurant smallwares.

The repair regulations will affect your 2014 federal income tax return. In some cases, you can apply the new rules to prior years. Please call us for additional information.

What's New In Financial Strategies

myRA pilot program announced

Watch for details on a new retirement savings account called the myRA. The Treasury Department has been instructed to begin a pilot program for this new savings vehicle by the end of 2014.

The myRA (my retirement account), would let workers open individual retirement accounts with as little as $25 that invest in government bonds. Contributions would not be tax deductible and could be withdrawn at any time without penalty.

Do some planning before tapping your retirement nest egg

Planning during retirement can be just as important as planning for retirement. Payments from pension plans, social security checks, withdrawals from 401(k)s, income from a part-time job — these become your paychecks. Planning during retirement helps ensure that you remain financially independent.

Two of the biggest financial decisions you're likely to face during retirement are when to start tapping retirement savings and how much to take out. Many people take out too much too soon. It's tempting to look at your 401(k) balance and to start dreaming about those exotic vacations you've always wanted to take or that fancy new car you've always wanted to drive. Slow down. You may be retired for the next thirty years.

That's why it's a good idea to set up a retirement budget. Based on your life expectancy, consider how much you'll need to cover expenses. Will you travel? Will you help a child or grandchild buy a house or pay for college expenses? Also, determine how much you've accumulated and how much that money will grow. A retirement budget can help ensure that you have enough money for the necessities — and for the luxuries.

When should you start taking money out of retirement savings? A good general rule is to withdraw retirement savings only when other sources of income aren't enough. If you can wait until age 70½ before taking money out of 401(k) plans and other tax-sheltered accounts, do so. The longer your money stays in such accounts, the longer you'll enjoy tax-deferred growth.

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Whether you're about to retire or have been retired for a while, we can help you consider the implications, including the tax impact, of a withdrawal plan. Give us a call.

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