



Online Advisor - May 2014

Major Tax Deadlines For May 2014

* May 15 - Deadline for calendar-year exempt organizations to file 2013 information returns.

* June 2 - Deadline for IRA, SEP, SIMPLE, Roth IRA, MSA, and education savings account trustees to file annual statements (Form 5498) with the IRS, with copies to participants. (Normal deadline of May 31 - a Saturday in 2014 - is moved to next business day.)

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

Court case changes rules on IRA rollovers

A recent Tax Court decision will change the way the IRS applies the law on IRA rollovers.

For years, the IRS has interpreted the IRA rollover rules to mean that a taxpayer could do one rollover per year for each IRA he or she owned. In doing a rollover, the taxpayer is not taxed on the funds taken from the IRA so long as the funds are redeposited into an IRA within 60 days of the withdrawal.



The recent court decision changed the way the tax rule is applied, ruling that the limit on rollovers should be applied on an aggregate basis — that is, only one rollover per year is allowed for all the IRAs a taxpayer owns. If a taxpayer takes funds from one IRA and rolls the money back into an IRA within 60 days, he or she can't do any other tax-free rollovers within the following 365 days.

This change goes into effect January 1, 2015; therefore, the aggregate rule won't apply for rollovers done during the remainder of 2014. Note, also, that trustee-to-trustee transfers can still be done as often as the taxpayer likes; the limit doesn't apply to these transfers because the taxpayer never has possession of any of the IRA funds.

Do your tax payments need adjusting?

If you got a big tax refund or owed the IRS a lot of money when you filed your 2013 tax return, it may be time to adjust your income tax withholding.

Many people like to receive a refund from the IRS, thinking of it as a form of forced saving. If you're of this opinion, that's fine. But too big a refund means you're wasting your money, giving an interest-free loan to the government.

On the other side, if you underpay your taxes by more than \$1,000 and don't meet certain exceptions, you could be hit with a penalty.

Adjusting your withholding is as simple as filing a new Form W-4 with your employer. The form comes with a worksheet to figure out how many allowances you should claim. Or you can increase withholding by specifying an extra dollar amount to be withheld from every paycheck.

When reviewing your 2014 tax payments, keep a couple of general rules in mind. Generally, you must pay (through withholding or quarterly estimated payments) at least 100% of last year's tax liability (110% if your adjusted gross income is over \$150,000), or at least 90% of what you'll owe for this year.

However you do it, you should adjust your withholding to match the taxes you expect to owe. If you need assistance figuring out your 2014 tax payments, give us a call.



New Business

Small business health insurance credit increases for 2014

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 \$50,800 (inflation adjusted for 2014).
- * 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.

Ask critical questions before starting a business

There are several questions you must answer before you even consider starting a new business. Unfortunately, some would-be-entrepreneurs spend more time planning their summer vacation than they do the start of a new business. Most of these businesses will fall into the three out of five start-ups that fail in the first five years. The statistics vary from industry to industry, but about 25% of new



business start-ups close down in the first year of operation. Another 25% will fail in the four years that follow.

How can you increase the chances of a business's survival? Here are a series of questions you should answer before launching a new business. Nothing can guarantee a new business will be a success, but being well armed with the right information can certainly help.

- * The first question to be answered in your written business plan is what products and/or services you intend to provide. Are these products currently being offered in your local market? What is the price being charged for competing products? How do you propose to capture enough of the local market to make a profit?
- * Who is your ideal customer and what media will you use to promote your product or service? Do you have an adequate population of potential customers to provide the sales you need to make a profit?
- * What will make your business stand out? What is unique about your product or service? Will you compete on price, location, product variety, or customer service?
- * What size building do you need, and how many employees will it take to serve customers properly?
- * How much money will it take to open the doors and how much is needed for operating capital until you turn a profit? Is it likely that you will make a profit in the first year or two? Be sure to prepare conservative cash flow projections for the first five years showing your best estimates of sales and projected expenses.
- * What is the source of funds from day one until you turn a profit? How much will you invest and how much is needed from outside sources such as banks or private investors?
- * What legal entity will you use: a corporation, sole proprietorship, LLC, etc? What government forms and licenses need to be filed? Do you have adequate insurance of the right type?

Every business person can benefit from the services of at least four other business advisors. You should engage the services of an accountant, an attorney, a banker, and an insurance agent before you launch the business. These advisors work with a variety of businesses and business solutions every day and can help improve your chances of succeeding in your new venture. It is imperative that you involve them early in the planning process.



What's New in Finances

Seniors need to be especially wary of scams

Seniors are a favorite target of scam artists. According to one survey, seniors over the age of 60 have lost nearly \$3 billion a year to financial fraud. Here are a few of the tactics used to bilk seniors of their money.

- * Advanced fee to claim winnings. The target victim is told he's won something and just needs to send money to cover fees, insurance, or whatever to claim the prize.
- * Computer virus scam. The caller tells the senior that a virus has been detected on his/her computer. The victim is told to log into a website that lets the crook control the computer so the virus can be eliminated. But what happens is that the person's personal information is stolen.
- * Grandparent scam. The caller claims to be a grandchild in a crisis situation. The imposter grandchild asks for money to be wired, pleading not to involve the parents.
- * Medical scam. The caller claims to be running a special on some medical equipment and needs a deposit and your Medicare/Medicaid information to let you take advantage of the sale.

As people become familiar with each new scam, the con artists find yet another way to cheat people. The FBI gives this advice to avoid becoming a victim of a fraud: Be skeptical of offers that sound good but probably aren't, don't respond to e-mails from people or companies you don't know, and never, never give out any personal numbers or other information.

Disability insurance is important coverage

Say "insurance" to most people and auto, health, home, and life are the variants that spring to mind. But what if an illness or accident were to deprive you of your income? Even a temporary setback could create havoc with your affairs. And statistics show that your chances of being disabled for three months or longer between ages 35 and 65 are almost twice those of dying during the same period.

Yet people with financial savvy often overlook disability insurance. Perhaps they feel adequately covered through their job benefits. However, such coverage can be woefully inadequate. The fact is, 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.

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