CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

# Online Advisor – April 2015

## Major Tax Deadlines
## For April 2015

* April 15 - Individual income tax returns for 2014 are due.

* April 15 - 2014 calendar-year partnership returns are due.

* April 15 - 2014 annual gift tax returns are due.

* April 15 - 2014 income tax returns for calendar-year trusts and estates are due.

* April 15 - Deadline for making 2014 IRA contributions.

* April 15 - Deadline for employers to make contributions to certain retirement plans.

* April 15 - First installment of 2015 individual estimated tax is due.

* April 15 - Deadline for amending 2011 individual tax returns (unless the 2011 return had a filing extension).

* April 15 - Deadline for original filing of 2011 individual income tax return to claim a refund of taxes. Each year some taxpayers have tax refunds due them for prior years, and unless a return is filed to claim the refund by the three-year statute of limitations, the refund is lost forever.

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

## Now is the time to check your 2015 tax payments

If you got a big tax refund or owed the IRS a lot of money when you filed your 2014 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 2015 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 2015 tax payments, give us a call.

## Need more time to file your 2014 tax return? Just ask for it

If you need more time to file your 2014 income tax return, you can get an extension — and no explanation is necessary.

You may have a very good reason for wanting more time to file your 2014 individual income tax return. For instance, you might want to hold off funding a retirement plan such as a Keogh or SEP until you can save more money. Perhaps you're waiting for a tax form from a trust, a partnership, or an S Corporation. Or maybe you've just been busy.

It doesn't matter. Whatever the cause or motivation, you can usually put off filing for up to six months beyond April 15. That means you could have until October 15, 2015, to finalize your return-assuming you follow the rules.

**Here's what you need to do:**

* Estimate your total tax liability for 2014, subtract what you've already paid in withholding or estimated payments and remit most or all of the balance, and

* File an extension request form (generally Form 4868 for an individual return) by April 15.

You can file the extension request form electronically, by phone, or by mailing it to the IRS. If you owe taxes, you can pay with an electronic funds transfer, your credit card, or a check.

Requesting an extension for your personal return also gives you additional time to file a gift tax return for 2014. The gift tax return extension is automatically included. You don't even have to check a box. But if you owe gift tax (or generation skipping transfer tax), or are requesting an extension only for a gift tax return, you'll need to use Form 8892.

One more quirk: If you live and work outside the United States, you may qualify for an automatic two-month extension of time to file without having to send in a form.

If you have special circumstances such as military service, or think you might have difficulty paying the tax due with your extension, please contact us. We can help you work through the rules.

# New Business

## IRS releases 2015 business vehicle deduction limits

The IRS has published depreciation limits for business vehicles first placed in service this year. The limits for passenger autos remain the same as the 2014 limits, but the second year limit for light trucks and vans is $100 higher.

50% bonus depreciation is no longer allowed for business equipment purchases, including vehicles. Here's a quick review of the adjustments for 2014.

For business cars first placed in service this year, the first-year depreciation limit is $3,160. After year one, the limits are $5,100 in year two, $3,050 in year three, and $1,875 in all following years.

The 2014 first-year depreciation limit for light trucks and vans is $3,460. Limits for year two are $5,600, in year three $3,350, and in each succeeding year $1,975.

For details relating to your 2015 business vehicle purchases, contact our office.

## Make better business decisions by applying "time value of money"

The "time value of money" is a critical concept in handling personal finances. The same basic premise should be applied in making decisions for your business.

Here's how it works: Typically, the money you currently have in your hands is worth more than it would be years from now. That's because you're able to spend or invest the funds now instead of waiting to receive them. In other words, there's an "opportunity cost" attached to any delay.

For example, let's say that you're entitled to a $100 payment. If you receive the $100 now and you're able to invest it at a 5% annual interest rate, you'll have $105 after one year. Assuming you don't need the money for expenses, it will be worth $110.25 after two years, and so on. This amount is known as the "future value" of the money.

Similarly, you can compute the "present value" of money. Suppose you won't receive the $100 payment until one year from now. The value of the money must be discounted due to the opportunity cost. Using the same 5% interest rate, the present value of the $100 you'll receive a year from now is $95.24 ($100 value divided by 1.05).

It's easy to see how this concept can affect your business. Accelerating payments from customers will enable you to better meet your current obligations and provide reserves for investment. On the other hand, delays hamper cash flow, and reduce the opportunity for investment. Computing the time value of money may also encourage you to lease, rather than buy, assets.

At the very least, the time value of money should be factored into business decisions. For help in running the numbers and analyzing the results, give us a call.

# What's New in Finances

## Do some spring cleaning to keep your paperwork under control

It's spring cleaning time, and that includes your tax paperwork. Here are some recordkeeping guidelines that will help you keep important papers and minimize clutter.

* Income tax returns. These should be kept indefinitely. You would be amazed how many times the IRS will "lose" a tax return, and this is your only way to prove original filing. You should also keep the various back-up documents associated with the return, such as W-2 forms, mortgage interest statements, year-end brokerage statements, interest/dividend income statements, etc.

* Supporting documents. These are items like cancelled checks, receipts, expense and travel diaries. With respect to retaining these items: three years minimum, five years is better, and seven years is best. How long you keep these records depends on your storage area and audit potential.

* Stock/bond/mutual fund purchase confirmations. These are documents that you need to retain during the time that you own the stock or mutual fund. They can be destroyed 3/5/7 years after the date of the sale of these assets. While many brokers report your fund purchase price, other records are still unavailable to them, so they cannot report your cost basis. It's ultimately up to you to prove your cost of these purchases.

* Real property escrow/title statements. These are the documents that you receive when you purchase property. They are provided to you at your property closing by your title agent, escrow agent, or attorney. These are also documents that you need to retain during the time that you own the property in order to prove your purchase price at the time that you sell the property. The ultimate purging of these documents also follows the 3/5/7 year provisions after the date of the sale. When you finally decide to get rid of those old documents, do so carefully. Many documents will carry your social security number, bank/brokerage account number, and other bits of information that could lead to theft of your identity. Make sure that any documents that you get rid of are properly shredded or otherwise completely destroyed.

## Wealth is just a matter of time

By implementing sound principles of saving and investing, average people - with average salaries and expenses - can build wealth. For most people, building wealth may be a lot like cooking stew in a crock pot. Two ingredients are required: discipline and time.

* Time harnesses the power of compound interest. Simply put, compound interest is the money gained by leaving your dollars invested. It's interest earned on the interest. Say, for example, you put $1,000 in an investment earning 5% annually. After the first year, your account balance will have grown to $1,050. Leave your money invested, and by the end of the following year you'll have $1,102.50. You make more money the second year because you also earn interest ($2.50) on the first year's interest ($50).

* The sooner you start investing, the less you'll need to save. Take, for example, two fellows named Tom and Jerry. Both are 18 years old. Tom paid attention in accounting class and started saving $100 a month. For ten years he contributed to a relatively conservative mutual fund that earned 7% annually. At age 28, Tom lost motivation and stopped saving.

Jerry, on the other hand, was a party animal. For the first ten years after high school, he spent every penny he earned. But at age 28, he got discipline. He started saving $100 each month, the same amount Tom had been saving for ten years.

By age 65, who comes out ahead? Tom is the clear winner with about $230,000; Jerry places second with $210,000. Consider that Tom saved $100 a month for ten years ($12,000) and Jerry saved the same monthly amount for 37 years ($44,400). Why did Tom end up with more money? Because his funds were invested longer. The power of compounding amplified his investment. (By the way, had Tom invested $250 a month from age 18 to 65, he'd have over a million dollars by age 65.)



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