CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – June 2015

Major Tax Deadlines
For June 2015

* June 15 – Second quarter 2015 individual estimated tax is due.

* June 15 – Due date for calendar-year corporations to pay second installment of 2015 estimated tax.

* June 15 – Due date for calendar-year trusts and estates to pay second installment of 2015 estimated tax.

* June 30 – Report on foreign financial assets and accounts (FBAR) must be received by the Treasury Department.

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 updates list of delivery services

"Timely mailing/timely filing" is a familiar tax rule. It means that when you mail a return on time, the return is considered to be filed on time – as long as you use the proper delivery service and type of delivery. The rule is of special importance when you're in the position of submitting a return on the due date.

In addition to the U.S. Postal Service, the IRS also designates private delivery services that qualify for the timely mailing/timely filing rule. The IRS updated the list of qualifying private delivery services with Notice 2015-38. As of May 6, 2015, the list includes

FedEx:

1. FedEx First Overnight
2. FedEx Priority Overnight
3. FedEx Standard Overnight
4. FedEx 2 Day
5. FedEx International Next Flight Out
6. FedEx International Priority
7. FedEx International First
8. FedEx International Economy

UPS:

1. UPS Next Day Air Early A.M.
2. UPS Next Day Air
3. UPS Next Day Air Saver
4. UPS 2nd Day Air
5. UPS 2nd Day Air A.M.
6. UPS Worldwide Express Plus
7. UPS Worldwide Express

Note that only these specific delivery services are designated for the timely mailing/timely filing rule. Other services provided by these companies do not qualify.

Go forward or backward to utilize tax benefits

Although the tax code contains some exceptions, income is generally taxable in the tax year received and expenses are claimed as deductions in the year paid. But "carryforwards" and "carrybacks" have special rules. In this case, certain losses and deductions can be carried forward to offset income in future years or carried back to offset income in prior years, providing tax benefits.

Here are four examples.

* Capital losses. After you net annual capital gains and capital losses, you can use any excess loss to offset up to $3,000 of ordinary income. Remaining losses can be carried over to offset gains in future years. The carryforward continues until the excess loss is exhausted.

For example, suppose you have a net capital loss of $10,000 for 2015. After using $3,000 to offset ordinary income on your 2015 return, you carry the remaining $7,000 to 2016. The excess loss is first applied to your 2016 capital gains, and then to as much as $3,000 of your ordinary income. Any remaining loss is carried forward to 2017 and future years.

* Charitable deductions. Your annual charitable deductions are limited by a "ceiling" or maximum amount, as measured by a percentage. For example, the general rule is that your itemized deduction for most charitable donations for a year can't exceed 50% of your adjusted gross income (AGI). Gifts of appreciated property are limited to 30% of your AGI (20% in some cases) in the tax year in which the donations are made. When you contribute more than these limits in a year, you can deduct the excess on future tax returns. The carryover period for charitable deductions is five years.

* Home office deduction. If you qualify for a home office deduction and you calculate your deduction using the regular method, your benefit for the current year can't exceed the gross income from your business minus business expenses (other than home office expenses). Any excess is carried forward to the next year. Caution: No carryforward is available when you choose the "simplified" method to compute your home office deduction.

* Net operating losses (NOLs). Business NOLs can be carried back two years and forward 20 years. Here's how it works. Say you calculate a $50,000 NOL in 2015. Under the general rule, you'll use the loss first to offset taxable income in 2013 and 2014. Then you'll carry the remainder forward, potentially until 2035. Tip: As an alternative, you may opt to forego the carryback and instead carry the entire NOL forward.

Give us a call for help in maximizing the tax benefits of carryforwards or carrybacks.

New Business

Get ready for "chip" cards

In an effort to reduce fraud, credit and debit card issuers are in the process of updating cards with new microchip technology. The updated cards have a small computer chip embedded in them to safely store the cardholder's data.

If your business accepts credit and debit card payments, you'll want to investigate the cost in both time and money to upgrade your card-reading equipment. While the new cards will generally also have a magnetic strip so you can continue to use your current reader, there's a good reason to start preparing for the changeover: liability. If you haven't switched to the new technology by October 2015, you may be liable for the cost of fraudulent transactions.

Learn from customer complaints

Listening to customer complaints – seldom at the top of any manager's short list of enjoyable pastimes – can provide valuable insight into your business, insight that may not be available from any other source. Consider the following:

* Complaints identify legitimate changes in customer expectations. Maybe you own a furniture store. A customer says he loves your merchandise, but complains that you don't offer free delivery. He casually notes that several of his friends buy furniture at XYZ Company down the road – a firm that provides fewer choices and third-rate inventory – because that store offers this additional service. A prudent manager will ask, "Has the bar been raised?" If so, the decision not to provide free delivery could result in declining sales.

* Complaints furnish insight into customer perceptions of your company and its products. Do customers let you know, in no uncertain terms, that your tools or electronics or widgets are overly complex and hard to use? What will you do with this information? Ignore it? Or use it as an opportunity to improve the usability of your products? Perhaps customers complain about how they're treated by frontline staff. You may not see anything amiss, but perception is often reality when it comes to business. You may need to manage that perception by providing additional staff training.

* Complaints spotlight opportunities. Maybe your customers complain about something nobody provides – yet. Ponder their expectations. You just might discover a new product or service that will catapult your business to the forefront of the marketplace.

* Complaints even generate business. If you can develop your staff's ability to empathize with customers and resolve complaints in an effective manner, you'll often build customer loyalty. Generally speaking, people will respect a company that takes the time to hear them and makes an honest attempt to address their needs.

The best companies develop a clear-cut system for dealing with and learning from customer complaints. They put the process in writing and make sure all employees know what's expected. They assign a "complaint owner": someone who follows up and makes sure complaints are addressed in a timely fashion. They may keep a complaint log and review it on a regular basis. And they ensure that customers aren't left out of the loop.

Though sometimes frustrating, stressful, even maddening, customer complaints can provide precious intelligence for the business owner who's willing to listen.

What's New in Finances

Do you need to file an FBAR?

If you have money or other assets in foreign bank or financial accounts and the total value of your accounts exceeded $10,000 at any time during 2014, you may be required to file a Treasury Department report known as the FBAR.

FBAR is the acronym for "Form 114, Report of Foreign Bank and Financial Accounts," an annual information form filed separately from your federal income tax return. You have to submit your 2014 FBAR electronically, and the form must be filed no later than June 30, 2015. No extension is available.

Contact us if you need details or filing assistance.

Taxes & Marriage: The second time around

Wedding bells bring rejoicing – and financial changes. If you're marrying for the second time, the changes might seem overwhelming. On the surface, tax and financial planning for a second marriage is similar to that of a first marriage.

For example, no matter what month you hold the ceremony, the IRS will consider you married for the full year. That means employer-provided fringe benefits and taxes withheld from your paychecks could require adjustment. Depending on how much each of you earns and your past financial history, you'll have to decide what filing status will be most beneficial, and how best to take advantage of tax breaks that may become available.

With a second marriage, you have even more decisions to make, including how you'll merge your assets. Will you purchase a new home? If both of you already own separate homes, you may each qualify for a $250,000 federal income tax exemption on the profit from the sale, as long as you have lived in the home for at least two of the last five years. If only one of you meets the requirements for the exemption, consider selling the qualifying home and living in the other for a while.

You or your spouse might also have substantial debt or financial obligations. Discuss your financial histories, including alimony or child support still owed and past bankruptcies. Decide who will provide for the college expenses of the children in your now-combined household. Depending on your age, you may want to investigate the effect of the marriage on your social security benefits.

Consider estate issues too, such as updating retirement plans with new beneficiary designations and retitling bank and brokerage accounts. Be sure to discuss how heirs from previous marriages will be provided for, and remember to update your wills.

A second wedding is a joyful event for you, your new spouse, and your extended families. To give your marriage an added advantage, call us before you say, "I do." We'll offer our congratulations – followed by useful financial and tax planning advice.

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