

April 15th - IRS Tax Filing Reminders

- ✓ Filing 2013 **income tax returns for individuals**. If you cannot file your return by this deadline, be sure to file an extension request by April 15. The automatic extension (you don't need to explain to the IRS why you need more time) gives you until October 15, 2014, to file your return. An extension does not, generally, give you more time to pay taxes you still owe. To avoid penalty and interest charges, taxes must be paid by April 15.
- ✓ Filing 2013 **partnership returns** for calendar-year partnerships.
- ✓ Filing 2013 income tax returns for calendar-year **trusts and estates**.
- ✓ Filing 2013 **annual gift tax returns**.
- ✓ Making 2013 **IRA contributions**.
- ✓ Paying the first quarterly installment of 2014 individual estimated tax.

- ✓ Amending 2010 individual tax returns (unless the 2010 return had a filing extension).
- ✓ Original filing of 2010 individual income tax return to claim a refund of taxes. 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.

Pay attention to your MAGI to qualify for tax breaks

Take a look at your 2013 tax return after it's prepared. How close to the edge did you come to losing tax benefits due to tax phase-outs? As you begin your 2014 tax planning, consider the effects of these benefit-limiting provisions, many of which are based on modified adjusted gross income, or MAGI. Knowing how close you are to the "edge" can help you preserve tax breaks for 2014.

A caution: Since the definition of MAGI as applicable to individual phase-outs varies, you might have to choose between conflicting opportunities. For instance, if you have a child in college this semester, the American Opportunity Credit and the Lifetime Learning Credit may be on your mind. Both benefits are education-related, yet the qualifying requirements differ – including the MAGI threshold.

- **Education benefits.** The American Opportunity Credit is a partially refundable, dollar-for-dollar reduction of your tax bill, with a maximum of \$2,500 per student. This year the credit starts to shrink when your MAGI reaches \$160,000 and you're married filing jointly (\$80,000 when you're single). It disappears completely when your MAGI is greater than \$180,000 for joint returns, and \$90,000 when your filing status is single.

For 2014, the Lifetime Learning Credit begins to phase out at \$108,000 when you're married filing a joint return and \$54,000 when you're single. Once your MAGI reaches \$128,000 (married) or \$64,000 (single), the credit is no longer available.

Other education benefits, such as the above-the-line tuition and fees deduction, also have MAGI limitations. If you qualify, you can claim the maximum annual limit of \$4,000 when you're married filing jointly and your MAGI does not exceed \$130,000 (\$65,000 if you're single). The deduction phases out completely when your income reaches \$160,000 (\$80,000 for singles).

- **Retirement plans.** Phase-outs affect retirement planning too. The deduction for contributions to your traditional IRA is limited when you are eligible to participate in your employer's plan and your MAGI exceeds \$96,000 (\$60,000 when you're single).

And while Roth IRA contributions are not tax-deductible, the amount you can contribute for 2014 begins to phase out when your MAGI reaches \$181,000 (\$114,000 if you file single).

In addition, the federal "saver's" credit for making contributions to retirement plans phases out when your 2014 modified adjusted gross income is more than \$60,000 and your filing status is married filing jointly (\$30,000 for singles).

- **Other phase-outs.** Finally, the exclusion of social security benefits from taxable income also has a phase-out calculated on the amount of your MAGI over the base amount of \$32,000 when you're married and \$25,000 when you're single.

Other phase-outs affecting your 2014 federal tax return reduce personal exemptions, itemized deductions, and the alternative minimum tax exclusion.

Contact our office for guidance in managing income for maximum tax breaks.

Financial tips for the 20-something generation

The earlier you start, the easier it will be to get ahead financially. Here are some recommendations for those in their early twenties.

Pay yourself first. Every time you get paid, put something aside in a savings or investment account. As a general rule, save 10% of your income. Even smaller amounts add up over time.

Watch your plastic. Credit cards are an expensive form of debt, and it's easy to lose control of them. Try to pay your entire credit balance every month, even if it's a stretch. If you've been carrying a balance, buy nothing more on credit until the balance is zero.

Keep a clean credit record. If you plan to own a home, buy a car, or start a business, you're going to need squeaky-clean credit. Keep all of your financial obligations current, and never make a financial commitment that you can't keep. If you fall behind on any obligation, talk to the creditor immediately to make alternative arrangements.

Make sure you have adequate medical coverage. You may not see a doctor even once this year. But if you do need medical care, it could be for something serious and expensive. Anything less than a good major medical policy could ruin you financially.

Watch your expenses. At this point in your career, you may not receive large or frequent pay raises, but you can achieve the same effect by cutting expenses. Shop before you buy. Very similar – and sometimes identical products – are sold at widely varying prices. Wise shopping can be the equivalent of having a good-paying second job.

For assistance with financial strategies suitable for your particular age and situation, give us a call.

[How Will the End of Some Popular Credits and Deductions Affect Your Business?](#)

Did you know that bonus 50% first-year depreciation will no longer be available to your business in 2014 and beyond? And that the Section 179 expensing limit, which allows you to deduct qualified costs immediately instead of expensing them over time, will tumble to \$25,000 from \$500,000, where it's been for the last four years? These are just a few of the changes that businesses should prepare for this year. While many tax rules are permanent, others are written to expire at some point in the future. Some are extended and given new deadlines, but a significant number of popular "extenders" terminated at the end of 2013, including both business credits and deductions.

How will the end of these and other credits or deductions affect you? And what other tax law changes could have an impact on your company finances? Contact our office to find out the answers. We can offer the advice and planning recommendations you need to minimize your tax bill and enhance your business's financial situation.

Will You Pay Higher Taxes on this Year's Return?

Recent tax laws have increased the highest income tax rate for individuals, raised the dividend income and long-term capital gains tax rates for wealthier taxpayers and made planning for the alternative minimum tax a little more complicated for some people. At the same time, those who run their own shops also had to pay a higher self-employment tax beginning in 2013. And those are just a few of the changes that could hike the amount you will owe to Uncle Sam with this year's tax return. If you find yourself facing a bigger tax bill, we can help. There are many strategies that can minimize your tax outlay and enhance your overall financial situation. Contact us for the kind of personalized, expert advice that will help put you on a sound financial footing.

Are you making the most of tax benefits designed to offset some of the high costs of education? The American Taxpayer Relief Act of 2012, which settled the year-end fiscal cliff debate, extended the American Opportunity Tax Credit through 2017. The credit provides a tax break of up \$2,500 for qualified college expenses. The Act also made permanent several education-related tax options, including Coverdell education savings accounts through the end of 2013.

Given the many changes, we can help you make sense of the benefits available to you and ensure you're taking full advantage of them. We can also offer advice on smart steps for financing the high cost of education, so please contact our office with all your questions.

Portal News & Tips

Edition 1.3

Here at Stephenson and Warner we take great care with your sensitive information. We have been using “The Portal”, our secure file sharing system, to share documents with you for years. This year we will be offering an electronic pdf copy of your tax return instead of a paper copy for those that choose that method of delivery. Please let us know if you prefer this method. We remain committed to keeping your personal and company information private and safe and choose not to email a copy of your tax return to you or a third party.

Common Questions:

- ✓ **Still not set up on the portal?**
 - Call the office. We will need a current email address and can get you set-up for the upcoming tax season in under 10 minutes.
- ✓ **What kinds of information can I use this for?**
 - You can share any and all information here. Sensitive documents, such as, W-2's, 1099s, K-1s and investment papers are wonderful uses for the portal.
- ✓ **Where is the Log-In?**
 - Please visit our website at stephensonwarnercpas.com and use the dark blue “Client Log-In” button located at the top right of the screen.
- ✓ **Who can see the information that has been posted?**
 - Only the accountant working on your return and partners will have access to your information in our office. We ask that you keep your password and log-in information private to best protect you.
- ✓ **How will I know if I have documents available for downloading from my accountant?**
 - You will be sent an email with a link each time that we upload a document for you.
- ✓ **Is there a fee for utilizing the portal?**
 - There is currently no charge for receiving your first set of documents electronically, however, we will have a \$15 fee if you choose to receive both an electronic and a paper copy of your documents, or we need to provide the documents multiple times for you.

Do you have additional questions about the portal?

Email me at: thughett@stephensonwarnercpas.com.

We might even use them in our “Portal News & Tips” edition next month!