IRS Tax Filing Reminders

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

When Are You Required To File A Gift Tax Return?

Are you planning to give sizeable gifts to family members? 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.

Health Care Reform Deadline 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.

Taxes and Retirement Accounts

Retirement accounts grow tax-deferred until you need the funds. However, in most cases your money cannot remain in these accounts forever. The IRS has rules that dictate when and how much you must withdraw from your retirement accounts.

- **Required withdrawals.** The amount you must withdraw each year is called your required minimum distribution (RMD). You can withdraw more than the required minimum distribution from your retirement accounts, but if you fail to take at least the required minimum on time, you face a severe 50% penalty. These rules apply to traditional IRAs and qualified retirement plans, but they do not apply to Roth IRAs during the owner's lifetime.

  In most cases, you must begin withdrawing money from your retirement accounts as follows:

  - Your first withdrawal can either be taken in the year you turn age 70½, or it can be postponed until April 1 of the following year.
  - Your second withdrawal must be taken by December 31 of the year after you turn 70½.
  - In each subsequent year, you must withdraw at least the required minimum amount by December 31.

If you're still working at age 70½ and you own less than 5% of the company you work for, you can wait until you retire to begin taking distributions from qualified plans, such as 401(k)s. This exception does not apply to traditional IRAs.

- **Income tax planning.** Your retirement fund trustee must tell the IRS whether you are required to take a minimum distribution. Because all or part of your distribution may be taxable income, it is important to include RMDs in your tax planning.

- **Estate planning.** Retirement accounts are subject to estate tax as well as income tax. If you die owning an IRA or 401(k), your plan will be considered an asset in your estate and, like every other asset, it could be subject to estate tax. And since most retirement plans contain untaxed income, your plan could also be hit with income tax when it is distributed to your heirs. Unless you want the tax man to end up with a large chunk of any retirement funds left in your estate, planning is essential.

What You Should Know About Changes In Education Provisions in the Tax Law

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 1.2

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 <u>and</u> 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!