The 2013 Intuit Accountants Tax Planning Guide

INTUIT ACCOUNTANTS

Welcome

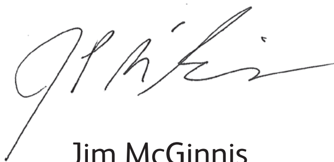
Dear Tax Professional,
Thank you for your interest in Intuit professional tax software.
To show our appreciation, we're extending you the Intuit® Accountants 2013 Professional Tax Planning Guide.

This Special Report is designed to help point your Tax Year 2013 research in the right direction. You'll also find practical tips that just might help you and your team work more efficiently.

As you know, nothing can take the place of your professional expertise. Tax laws and regulations change frequently and the application of these laws can vary widely based up the specific facts and circumstances involved. It's important for you to determine whether the information and interpretations provided in the following pages are accurate and how they apply to your practice—and to your clients.

Again, than you for your interest in Intuit professional tax software. If you have any questions, don't hesitate to contact an Intuit Professional tax consultant at 1-800-765-7777.

Sincerely,



Jim McGinnis
Vice President, Intuit Accountants

NOTICE—DISCLAIMER OF LIABILITY: All information in this Intuit Accountants Professional Tax Planning Guide (collectively, "Information") is for educational and information purposes only and is not legal or tax advice or opinions on any specific matters. Tax laws and regulations change frequently and their application can vary widely based upon the specific facts and circumstances involved. You acknowledge that all decisions regarding the tax treatment of items reflected on tax returns prepared by you are made solely by you and that use of Information does not relieve you of responsibility, including those to any third party, for the preparation, content accuracy, and review of such returns. You further acknowledge that you are not relying upon Intuit for advice regarding the appropriate tax treatment of items reflected on tax returns. The provision of Information by Intuit is not intended to create, and your receipt does not constitute, any form of relationship between Intuit or the author(s) and you. You, and not Intuit, are responsible for the applicability and accuracy of Information as it relates to your practice or to your clients.

NOTICE OF RIGHTS: No part of this book may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying recording or otherwise, without the prior written permission of Intuit Inc.

intuit
ACCOUNTANTS

Table of Contents

New Tax Law Changes for 2013	4
Key Tax Tax Facts for 2013	6
June 2013	7
There's An App for That!	8
July 2013	9
Back to School: Maximizing Education Tax Credits for Clients	10
August 2013	11
What You Can—and Can't—Do With Your Client Info	12
September 2013	13
Help Your Clients Cut Their 2013 and 2014 Tax Bills	14
October 2013	15
Are You Ready to E-File?	16
November 2013	17
Get Your Clients Ready for Tax Return Season	18
December 2013	19
Information Please!	20
January 2014	22
Save That Refund!	23
February 2014	24
How To Help Clients Who Can't Pay	25
March 2014	26
What To Tell Clients About Amended Returns	27
April 2014	28
Tax Tips for Your Newlywed Clients	29
May 2014	30
Contact Us	31

New Tax Law Changes for 2013

The big news affecting 2013 taxes was the eleventh hour enactment of the American Taxpayer Relief Act of 2012, which was signed into law by President Obama on January 2.

Let's take a look at the key tax law changes for 2013.

Tax rates extended—for most taxpayers. Thanks to repeal of the so-called "sunset" of the Bush-era tax cuts, the new law makes the 10%, 15%, 25%, 28% 33% and 35% tax brackets permanent. However, the new law adds a higher 39.6% bracket, which begins at $400,000 for singles, $425,000 for heads of households, $450,000 for joint filers and surviving spouses, and $225,000 for marrieds filing separately for 2013. [IRC §1(i)]

The new law permanently extends the 0% tax rate on capital gains and qualified dividends for taxpayers below the regular 25% bracket, as well as the 15% rate for other taxpayers. However, the law adds a 20% rate for gains falling in the new 39.6% bracket. [IRC §1(h)]

Double whammy. Another tax law change will further increase the tax bite on capital gains and dividend income for higher income taxpayers. A new Medicare contribution tax on net investment income (including qualified dividends and capital gains), which was enacted by the 2010 health care law, takes effect starting this year. [IRC §1411] The tax is imposed at a rate of 3.8% on the lesser of (a) net investment income or (b) the excess of modified AGI above a threshold amount. The threshold is $250,000 for joint filers ($125,000 for marrieds filing separately) or $200,000 for other filers. So, for example, a single filer with $50,000 dividends and capital gains of income falling in the new 39.6% rate bracket will see the tax on that income rise to 23.8%. For taxpayers with dividends and gains below the 39.6% bracket but above threshold amount, the tax bite will increase from 15% to18.8%.

Marriage penalty relief extended. By repealing the sunset provision, the new law permanently extends "marriage penalty" relief provisions. Thanks to the new law, the size of the 15% rate bracket is permanently set a twice the size of the 15% bracket for single filers. (IRC §1(f) In addition, the standard deduction for marrieds filing jointly is permanently set at twice the amount for single filers. [IRC §63(c)]

PEP and Pease restored—for some. The new law restores the so-called PEP (personal exemption phaseout) and Pease (itemized deduction phaseout, named for the Congressman who authored the legislation) limits, which had been reduced and then suspended by the Bush-era cuts. However, the restored limits apply at higher income levels than under prior law. For 2013, personal exemptions will be reduced by 2% for each $2,500 (or portion thereof) of AGI above $300,000 for joint filers and surviving spouses, $275,000 for heads of households, $250,000 for singles, and $150,000 for marrieds filing separately. [IRC §151(d)(3)] Under the Pease limitation, the total amount of itemized deductions will be reduced by 3% of the amount by which AGI exceeds the same threshold amounts. [IRC §68]

Permanent AMT patch. Over the past several years, Congress has repeatedly "patched" the AMT by temporarily increasing the exemption amount prevent large numbers of taxpayers from becoming subject to the alternative tax. The 2012 Act permanently increases the AMT exemption amount to $50,600 for unmarried taxpayers, $78,750 for joint filers and $39,375 for marrieds filing separately, indexed for inflation after 2012. For 2013, the AMT exemptions are $51,900 for singles, $80,800 for joint filers, and $40,400 for marrieds filing separately. [IRC §55]

The new law also permanently extends the provision allowing nonrefundable personal credits to offset the AMT.

Extenders, extenders, extenders.

The 2012 Act extends—in some cases, permanently—a slew of expired or expiring tax provisions for individual taxpayers. Here's a brief rundown of provisions affecting individual taxpayers.

Child tax credit. The $1000 per-child amount and expanded refundability of the credit are made permanent. [IRC §24(a),(d)] The lower $3,000 threshold for refundability is extended through 2017. [IRC §24(d)(4)]

Child and dependent care credit. The maximum credit is permanently set a $1,050 for one qualifying individual (35% of up to$3,000 of expenses) or $2,100 for two or more qualifying individuals (35% of up to $6,000 of expenses. The 35% credit percentage is reduced, but not below 20%, by one percentage point for each $2,000 (or fraction thereof) above $15,000. [IRC §210

Adoption credit. The expanded adoption credit rules (but not refundability) are made permanent. [IRC §23] The maximum credit is $12,970 for 2013.

New Tax Law Changes for 2013, continued.

Earned income tax credit. The increase in the phaseout threshold for joint filers to $5,000 more than for single taxpayers and the increased EIC amount for families with three or more children are extended through 2017; certain EIC simplification changes are made permanent. [IRC §32]

American Opportunity credit. The American Opportunity education tax credit (in lieu of the Hope Scholarship credit) is extended through 2017. [IRC §25(a)(i)]

Nonbusiness energy property credit. Tax credits for energy efficient home improvements extended through 2013. [IRC §25C0

Exclusion for employer-provided educational assistance. The exclusion, including applicability to graduate courses, is made permanent. [IRC §127]

Exclusion for employer-provided adoption assistance. The exclusion is made permanent. [IRC §137]

Exclusion for employer-provided transit benefits. Parity in exclusions for employer-provided parking and employer-provided transit passes/vanpooling extended through 2013. [IRC §123(f)(2)] For 2013, the maximum exclusions are $245 per month.

Exclusion for discharged home mortgage debt. Exclusion extended through 2013. [IRC §108(a)(1)(E)]

Student loan interest deduction. Expanded student loan interest deduction rules are made permanent. [IRC §221]

Coverdell education savings accounts. Increased $2,000 contribution limit and other changes made permanent. [IRC §530]

Educator expense deduction. Deduction for up to $250 of classroom-related expenses extended through 2013. [IRC §62(a)(2)(d)]

Tuition and fees deduction. Above-the line deduction for qualified tuition and related expenses extended through 2013. [IRC §222]

Deduction for mortgage insurance premiums. Exclusion extended through 2013. [IRC §163(h)(3)(E)]

State and local sales tax deduction. Option to claim itemized deduction for state and local sales taxes in lieu of state and local income taxes extended for 2013. [IRC §164(b)(5)]

IRA distributions to charity. Tax-free distributions from IRAs for charitable purposes extended through 2013. [IRC §408(d)(8)]

Other tax changes for 2013. Taxpayers and their advisers should also note that a number of significant tax changes, which were enacted by the 2010 health reform law, first take effect in 2013. As noted earlier, a new Medicare contribution tax on investment income takes effect in 2013. Other significant changes for your individual clients include.

Health FSA contribution limit. Starting in 2013, health flexible spending arrangements must limit tax-free salary reduction contributions to $2,500 per year. [IRC §125(i)] The $2,500 limit will be indexed for inflation in future years. The contribution limit technically carries a January 1, 2013 effective date; however, the IRS has announced that plans are not required to apply the limit until the first plan year beginning after December 31, 2012. Inflation adjustments to the contribution limit will also apply on a plan year basis. [IRS Notice 2012-40]

Higher medical expense deduction threshold. Starting this year, medical expense deductions for most taxpayers will be subject to a 10% deduction floor—up from 7.5% for prior years. However, for 2013 through 2017, the 7.5% deduction floor will continue to apply if either the taxpayer or the taxpayer's spouse has reached age 65 before the end of the tax year. [IRC §217]

Additional Medicare tax for high earners. Starting in 2013, an individual is liable for Additional Medicare Tax of 0.9% on wages, other compensation, or self-employment income (together with that of his or her spouse if filing a joint return) exceeding certain thresholds. The thresholds are $250,000 for marrieds filing jointly, $125,000 for marrieds filing separately, or $200,000 for all other taxpayers. [IRC §3101]

Key Tax Tax Facts for 2013

STANDARD DEDUCTION		
Married filing jointly/surviving spouse	$12,200	
Single	$6,100	
Head of household	$8,950	
Married filing separately	$6,100	
Dependent taxpayers	$1000	

ADDITIONAL STANDARD DEDUCTION	65 or over or blind	65 or over and blind
Married/surviving spouse	$1,200	$2,400
Unmarried	$1,500	$3,000

PERSONAL EXEMPTIONS	
Personal exemption amount	$3,900

KIDDIE TAX	
Amount taxed at child's rate	$1000
AMT exemption	earned income plus $7,150

ADOPTION CREDIT	
Maximum credit	$12,970
Phaseout range	$194,580 - $234,580

EDUCATION CREDITS	
American Opportunity—maximum credit	$2,500
Phaseout threshold—joint filers	$160,000
Phaseout threshold—all other filers	$80,000
Lifetime Learning-maximum credit	$2,000
Phaseout threshold—joint filers	$107,000
Phaseout threshold—all other filers	$53,000

EDUCATION SAVINGS BOND EXCLUSION	
Phaseout range—joint filers	$112,050 - $142,050
Phaseout range—all other filers	$74,700 - $89,700

STUDENT LOAN INTEREST DEDUCTION	
Phaseout range—joint filers	$125,000-$155,000
Phaseout range—all other filers	$60,000-$75,000

LONG-TERM CARE INSURANCE DEDUCTION	
Age at close of year	Premiums eligible for medical expense deduction
40 or less	$360
More than 40 but not more than 50	$680
More than 50 but not more than 60	$1,360
More than 60 but not more than 70	$3,640
More than 70	$4,550

HEALTH SAVINGS ACCOUNTS		
Type of coverage	Self-only	Family
HDHP deductible	$1,250	$2,500
Out-of-pocket expense cap	$6,250	$12,500
Maximum contribution	$3,250	$6,450

FOREIGN INCOME	
Foreign earned income exclusion	$97,600

MEDICAL SAVINGS ACCOUNTS		
Type of coverage	Self-only	Family
HDHP deductible	$2,150-$3,200	$4,300-$6,450
Out-of-pocket expense cap	$4,300	$7,850

INDIVIDUAL RETIREMENT ACCOUNT DEDUCTION	
Phaseout range—joint filers	$95,000-$115,000
Phaseout range—single/head of household	$59,000-$69,000
Phaseout range—married filing separately	$0-$10,000
Phaseout range—joint filer/active participant spouse	$178,000-$188,000

ROTH IRA CONTRIBUTION	
Phaseout range—joint filers	$178,000-$188,000
Phaseout range—single/head of household	$112,000-$127,000
Phaseout range—married filing separately	$0-$10,000

RETIREMENT SAVINGS CONTRIBUTION CREDIT			
Credit percentage	50%	20%	10%
Joint filers	$0-$35,500	$35500-$38,500	$38,500-$59,000
Head of household	$0-26,625	$26,625-$28,875	$28,875-$44,250
Other filers	$0-$17,750	$17,750-$19,250	$19,250-$29,500

SOCIAL SECURITY TAXES	
Maximum net taxable self-employment earnings	$113,700
Phaseout range—single/head of "Nanny tax" threshold	$1,800

ANNUAL EXCLUSION FOR GIFTS	
Gift tax exclusion	$14,000
Exclusion for gifts to a non-citizen spouse	$143,000

MILEAGE ALLOWANCES	
Standard business mileage allowance	56.5¢
Medical and moving allowance	24¢
Charitable mileage allowance	14¢

DEPRECIATION LIMITS FOR VEHICLES PLACED IN SERVICE IN 2013			
Passenger cars (subject to additional first-year depreciation)			
1st tax year	$11,160	2nd year	$5,100
3rd year	$3,050	Each succeeding year	$1,875
Trucks and vans (subject to additional first-year depreciation)			
1st year	$11,360	3rd year	$3,250
2nd year	$5,400	Each succeeding year	$1,975

June 2013

						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24	25	26	27	28	29

Key Compliance Dates

Wednesday, June 5 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 29–31.

Friday, June 7 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 1-4.

Monday, June 10 - Tipped employees who received $20 or more in tips during May report them to the employer on Form 4070.

Wednesday, June 12 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 5-7.

Friday, June 14 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 8-11.

Monday, June 17 - Monthly depositors deposit FICA and withheld income tax for May.
Individuals and calendar-year corporations pay second installment of 2013 estimated tax.Individual outside the U.S. file Form 1040.

Wednesday, June 19 - Semiweekly depositors deposit FICA and withheld income tax on wages paid June 12-14.

Friday, June 21 - Semiweekly depositors deposit FICA and withheld income tax on wages paid June 15-18.

Wednesday, June 26 - Semiweekly depositors deposit FICA and withheld income tax on wages paid June 19-21.

Friday, June 28 - Semiweekly depositors deposit FICA and withheld income tax on wages paid June 22-25.

To-Do List

- ☐ Review tax law changes for 2013.
- ☐ Schedule much-needed R&R.

June 10 - Employees who work for tips. If you received $20 or more in tips during May, report them to your employer. You can use Form 4070.

June 17 - Individuals. If you are a U.S. citizen or resident alien living and working (or on military duty) outside the United States and Puerto Rico, file Form 1040 and pay any tax, interest, and penalties due. Otherwise, see April 15. If you want additional time to file your return, file Form 4868 to obtain 4 additional months to file. Then, file Form 1040 by October 15.

However, if you are a participant in a combat zone, you may be able to further extend the filing deadline. See Publication 3, Armed Forces' Tax Guide.

Individuals. Make a payment of your 2013 estimated tax if you are not paying your income tax for the year through withholding (or will not pay in enough tax that way). Use Form 1040ES. This is the second installment date for estimated tax in 2013. For more information, see Publication 505.

Corporations. Deposit the second installment of estimated income tax for 2013. A worksheet, Form 1120W, is available to help you estimate your tax for the year.

Social security, Medicare, and withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in May.

Nonpayroll withholding. If the monthly deposit rule applies, deposit the tax for payments in May.

Notes

There's An App for That!

Can you imagine an application that will instantly fill out and file the hundreds of tax returns you prepare each year? Well... we aren't quite there yet. However, the IRS does offer a variety of online services and resources that can make the job easier.

e-services for Tax Pros

e-services is a suite of web-based products that allow tax professionals to conduct business with the IRS electronically. All tax professionals who wish to use e-services products must register online to create an individual electronic account. Products available through e-services include:

e-file Application. The IRS e-file Application can be completed online. You can also check the status of the application as the IRS makes updates to the suitability check. The IRS e-file Application also enables you to update information when changes occur.

Disclosure Authorization. Eligible tax pros can complete authorization forms, view and modify existing forms, and receive acknowledgements immediately. Supported forms are Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization.

Electronic Account Resolution. This service allows tax professions to expedite resolution of clients' account problems by electronically sending and receiving account-related inquires. Tax pros can inquired about individual or business account problems, refunds, installment agreements, missing payments, or notices. An IRS response is delivered to a secure electronic mailbox within three business days. A power of attorney must be on file before accessing a client's account.

Transcript Delivery System. Eligible tax professionals can use this system to request and receive account transcripts, wage and income documents, tax return transcripts and verification of non-filing letters for both individual and business clients. Tax pros must have a power of attorney on file before accessing a client's account.

TIN Matching. Taxpayer identification number (TIN) matching is available to payers and authorized agents who file any of six information returns subject to backup withholding (Forms 1099-B, INT, DIV, OID, PATR, and MISC). Interactive TIN Matching allows payers to match up to 25 payee TIN and name combinations against IRS records before submitting information returns. Bulk TIN Matching can match up to 100,000 TIN and name combos. To use TIN Matching, a payer must be listed in the IRS Payer Account File (PAF) database; the system is not available to payers that have not filed information returns in the past two years.

Electronic Subscription Services

The IRS offers number free electronic subscription services to keep you up to date on the latest tax developments. Offerings include:

Quick Alerts keep tax pros instantly up to date on events and developments that affect e-filing, including processing delays, procedure changes, and e-file program updates.

Recent Developments Concerning Tax Products provides e-mail updates on tax forms, instructions, publications and other tax products.

e-new for Payroll Proividers is an electronic mail service designed to provide information specifically affecting federal payroll tax returns.

IRS GuideWire notifies subscribers by e-mail when the IRS issues advance copies of tax guidance such as regs, revenue rulings, revenue procedures, announcements and notices.

e-News for Tax Professionals provides the latest news for the tax professional community.

IRS Newsire subscribers receive news releases and other documents by e-mail as they are issued.

IRS Tax Tips subscribers receive tips about taxes by e-mail every business day during tax-filing season and periodically during the rest of the year.

Outreach Corner offers content and products that can be used in your own communication vehicles. Subscribers can access to ready-to-use articles for print publications and articles, widgets and podcasts for Web sites.

For a full listing of IRS online subscription resources and to subscribe go to http://www.irs.gov/uac/e-News-Subscriptions-2

New Media

And there is, in fact, an app for connecting to the IRS—as well as other IRS social media offerings.

IRS2Go. Pros with an Apple iPhone or iTouch can download the free IRS2Go app by visiting the iTunes app store. Pros with Android devices can visit the Google Play Store to download the app.

YouTube. IRS YouTube channels offer informative videos in English, American Sign Language, and other languages.

Twitter. IRS tweets include various tax-related announcements, news for tax professionals and hiring initiatives.

Tumblr. The IRS Tumblr blog provides current tax information.

Facebook. The IRS Return Preparer Facebook page posts information for tax professionals.

Podcasts. Subscribe to IRS Podcasts on iTunes or download them from the IRS Multimedia Center.

Widgets. Post IRS widgets on your website or social media networks to help direct others to IRS.gov for complete details on a variety of topics. Get them and other tax products at IRS Marketing Express.

Intuit ACCOUNTANTS

July 2013

	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Key Compliance Dates

Wednesday, July 3 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 26–28.

Monday, July 8 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 29–July 2.

Wednesday, July 10 Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 3–5.

Tipped employees who received $20 or more in tips during June report them to the employer on Form 4070.

Friday, July 12 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 6–9.

Monday, July 15 - Monthly depositors deposit FICA and withheld income tax for June.

Wednesday, July 17 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 10–12.

Friday, July 19 - Semiweekly depositors deposit FICA and withheld income tax on wages paid July 13–16..

Wednesday, July 24 - Semiweekly depositors deposit FICA and withheld income tax on wages paid July 17–19.

Friday, July 26 - Semiweekly depositors deposit FICA and withheld income tax on wages paid uly 20–23.

Wednesday, July 31 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 24–26.

Deposit FUTA tax owed through June if more than $500.

File Form 941 for the second quarter of 2013 (if tax deposited in full and on time file by August 12).

File 2012 Form 5500 or 5500-EZ for calendar-year retirement and benefit plans.

To-Do List

- [ ] Alert clients to 2013 mid-year tax planning opportunities.
- [ ] Schedule Continuing Professional Education for 2013.

Notes

Back to School: Maximizing Education Tax Credits for Clients

As students head back to college, they and their families face the increasingly daunting task of paying tuition bills. The tax law does provide some relief. For example, the recently extended American Opportunity credit and the Lifetime Learning credit can reduce the after-tax cost of college expenses.

Tax professionals also have a role here. They can help clients obtain maximum benefit from these incentives.

Test Your Credit Score. For 2013, eligible taxpayers can claim an American Opportunity credit of 100% of the first $2,000 of qualifying expenses and 25% of the next $2,000 of qualifying expenses for each of the first four years of a student's higher education—a maximum credit of $2,500 per student per year. The Lifetime Learning credit is available for 20% of up to $10,000 of qualifying higher expenses, up to a maximum credit of $2,000 per year. Unlike the American Opportunity credit, the Lifetime Learning credit is calculated on a per family (i.e., per tax return) basis, not on a per-student basis. Moreover, both the American Opportunity and Lifetime Learning credits cannot be claimed for the same student in a tax year.

The credits are phased out for higher income taxpayers. For 2013, the Lifetime Learning credit is phased out for joint filers with modified adjusted gross income (MAGI) between $107,000 and $127,000, and for other filers with MAGI between $53,000 and $63,000. The phaseout range for the American Opportunity credit is $160,000 to $180,000 for joint filers and $80,000 to $90,000 for other filers. On the other hand, up to 40% of the American Opportunity credit is refundable for taxpayers with little or no tax liability to offset.

Timing Counts. The credits are generally allowed only for payments of qualifying expenses for an academic period beginning in the same tax year the payments are made. (An academic period is a quarter, semester, trimester or other period of study, such as a summer school session, as reasonably determined by the eligible educational institution.)

However, there is an exception to the general rule. If qualified tuition and related expenses are paid during one tax year for an academic period that begins during the first three months of the next tax year (i.e., in January, February, or March of the next tax year for calendar year taxpayers), an education tax credit is allowed, not in the year the academic period begins, but in the year the expenses are paid [IRC Sec. 25A(g)(4)].

> Example. College Z charges Taxpayer A $2,000 in qualifying expenses to attend classes during the 2014 Spring semester, which begins in February 2014. If Taxpayer A pays the college in December 2013, Taxpayer A may claim an education tax credit in 2013 for the 2014 Spring semester expenses. On the other hand, if Taxpayer A makes the $2,000 payment in January 2014, the general rule applies and the payment is creditable in 2014.

Borrowing Counts. An education credit may be claimed for qualified tuition and related expenses paid with the proceeds of a loan. The credit can be claimed only in the year payment is made with the loan proceeds, not in the year the debt is incurred or the year it's repaid.

Loan proceeds disbursed directly to a college will be treated as "paid" on the date the college credits the proceeds to the student's account. For example, in the case of any loan issued or guaranteed as part of a federal student loan program under Title IV of the Higher Education Act of 1965 (e.g., Pell Grant), loan proceeds will be treated as paid on the date of disbursement to the college.

While a client has little control over the date the college credits the account, the client may want to ask the college precisely when date that is. This can make a difference in which year the credit can be claimed. IRS regulations provide that if a taxpayer does not know the date the college credits the student's account, the taxpayer must treat the qualifying expenses as paid on the last date for payment prescribed by the college [Reg. 1.25A-5(e)(5)]. This might force a delay in claiming the credit.

Family Counts. If a client claims a student as a dependent, the client can claim an education credit for the student's expenses. Moreover, any expenses paid or deemed paid by the student are treated as paid by the client when figuring the credit. Thus, for example, a client can claim an education credit for college expenses paid by a dependent student with earnings from a summer job or from college loans in the student's name.

If a third party (say, a grandparent or a noncustodial parent) makes payment directly to an eligible educational institution for a student's education expenses, the student is treated as receiving the payment from the third party and in turn paying the expenses to the institution. Thus, if the student is claimed as dependent by your client, the payments can be taken into account in calculating your client's credit.

On the flip side, if your client does not claim the student as a dependent, the student can claim an education credit on his or her return. That's true even if your client is eligible to claim the student as a dependent. Moreover, payments made by the client for the student's expenses can be counted towards the credit on the student's return.

intuit ACCOUNTANTS

August 2013

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	25	27	28	29	30	31

Key Compliance Dates

Friday, August 2 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 27–30.

Wednesday, August 7 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 31–August 2.

Friday, August 9 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on August 3-6.

Monday, August 12 - Tipped employees who received $20 or more in tips during July report them to the employer on Form 4070.

Wednesday, August 14 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on August 7-9.

Thursday, August 15 - Monthly depositors deposit FICA and withheld income tax for July.

Friday, August 16 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on August 10-13.

Wednesday, August 21 - Semiweekly depositors deposit FICA and withheld income tax on wages paid August 14-16..

Friday, August 23 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on August 17-20.

Wednesday, August 28 - Semiweekly depositors deposit FICA and withheld income tax on wages paid August 21-23.

Friday, August 30 - Semiweekly depositors deposit FICA and withheld income tax on wages paid August 24-27

To-Do List

- ☐ Remind clients of September 16 estimated tax payment for individuals and calendar-year corporations.
- ☐ Remind calendar-year corporations with returns on extension of September 16 filing deadline.
- ☐ Alert clients who are parents of first-year college students of the American Opportunity tax credit.

Notes

What You Can—and Can't—Do With Your Client Info

One of your best sources of new business may be no farther away than your file drawers. Your current tax return clients have made that all-important decision to do business with you. Therefore, you have already negotiated one of the biggest hurdles in the selling cycle: gaining the client's trust and confidence. You also have files full of information about your existing clients that are key to clinching a deal. You know who makes the decisions and how those decisions are made. You know what services you are currently providing to the client—and you have valuable information about the client's financial and business affairs that can help you identify additional services that are appropriate for the client. And, of course, you know whether the client can afford—and will actually pay for—those additional services.

But wait a minute. Before you start culling through your client files for likely prospects, make sure you understand what you can—and can't—do with information gathered from your clients while preparing their returns. The tax law places strict limits on the use and disclosure of tax return information by tax practitioners. And the penalties for violations are severe. The IRS can impose a civil penalty of $250 for each unauthorized use, up to a maximum penalty of $10,000 in any calendar year. In addition, it is a misdemeanor--punishable by a fine of not more than $1,000, imprisonment of not more than one year, or both--for a return preparer to knowingly or recklessly use a client's tax return information for any purpose other than return preparation except as permitted under the Code and IRS regulations.

IRS final regulations issued in late 2012 spell out how you can use information about your tax returns to build your business.

Client lists. A tax return practitioner may compile and maintain a list of tax return clients containing only the following information: Client names, mailing addresses, email addresses, phone numbers, taxpayer entity classification (e.g. individual or type of business entity), and income tax return form number. In crafting the final regulations, the IRS specifically rejected suggestions that information allowed in a client list be expanded to include such things as tax schedules filed, the number and age of dependents, the date clients file, and whether they file with a balance due.

Use of client lists. The information on your client lists may be used only to provide tax or general business and economic information for educational purposes or to solicit additional tax return preparation services. The lists may not be used to solicit any product or service other than tax return preparation. The IRS expressly rejected suggestions that permitted uses for client lists include solicitation of accounting, bookkeeping or payroll services.

The restrictions on use of clients list extend to client newsletter. For example, using client lists to send newsletter that summarize recent case law or describe current legal developments is on the up and up. However, the IRS cautions that practitioners should carefully consider the specific content of newsletter articles on a case-by-case basis. If a practitioner plans to solicit non-tax return preparation services in a newsletter, consent must be obtained from clients.

> Example. Aaron Andrews runs a tax preparation business in Southeast Pennsylvania and prepares returns for clients in Pennsylvania, New Jersey, Maryland and Delaware. Andrews provides quarterly state income tax information updates to his clients by e-mail or regular mail. To make sure clients receive only relevant updates, Andrews directs his mailings to clients by zip code and income tax return form number. According to the IRS, Andrews can use the list information without his clients' consent because he is providing tax information for educational or informational purposes and is targeting clients based solely on tax information that is authorized by the regulations (i.e., zip code, which is part of a client's address, and tax form number).

> Example. Beverly Burton uses her client list to send a monthly newsletter to all of her clients by e-mail. When Burton hires a new employee, she puts an announcement in her newsletter with the employee's photo, contact information, qualifications and job responsibilities. The IRS says use of her client list to send out the monthly newsletters does not require clients' consent. Moreover, the new employee announcements will be considered permitted tax information for educational or informational purposes as long as the announcements do not contain solicitations for non-tax return business.

In a related revenue ruling the IRS makes it clear, that tax practitioner can also disclose a client list to a third-party service provider that sends newsletters, bulletins, or similar communications containing tax or general business and economic information to the preparer's clients for educational purposes or for the purposed of soliciting additional tax return business for the preparer.

Client consents. A tax practitioner can use client data for other purposes if he or she obtains the client's consent. But here again, caution is in order. A client's consent must be in writing, signed and dated by the client, and must disclosure the specific tax return information to be used and the particular use being authorized. Conditioning the provision of tax return preparation services on the client's consent to use or disclosure of tax return information will make the consent involuntary.

intuit ACCOUNTANTS

September 2013

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Key Compliance Dates

Thursday, September 5 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on August 28-30.

Friday, September 6 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on August 31-September 6.

Tuesday, September 10 - Tipped employees who received $20 or more in tips during August report them to the employer on Form 4070.

Wednesday, September 11 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on September 4-6.

Friday, September 13 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on September 7-10.

Monday, September 16 - Monthly depositors deposit FICA and withheld income tax for August.

Individuals and calendar-year corporations pay third installment of 2013 estimated tax.

Calendar-year corporations file 2012 income tax return (Form 1120 for C corporations; 1120S for S corporations) if automatic six-month extension was obtained.

Partnerships file 2012 Form 1065 if automatic five-month extension was obtained.

Wednesday, September 18 - Semiweekly depositors deposit FICA and withheld income tax on wages paid September 11-13.

Friday, September 20 - Semiweekly depositors deposit FICA and withheld income tax on wages paid September 14-17.

Wednesday, September 25 - Semiweekly depositors deposit FICA and withheld income tax on wages paid September 18-20.

Friday, September 27 - Semiweekly depositors deposit FICA and withheld income tax on wages paid September 21-24.

To-Do List

- ☐ Schedule appointments with individual clients for year-end tax planning sessions.
- ☐ Remind individual clients on automatic six-month extensions of October 15 filing deadline for 2012 returns.
- ☐ File returns for calendar-year corporations and partnerships that obtained automatic extensions.

Notes

▲ Table of Contents

Help Your Clients Cut Their 2013 and 2014 Tax Bills

There are a number of strategies your clients can employ to shift income and deductions at year-end. However, the first step in deciding which year-end moves will actually save tax dollars is to make some basic tax estimates and determinations.

- Make a rough estimate of the client's income and deductions for this year and for 2014.
- Based on the taxable income estimates, determine the client's tax bracket for both years.
- Determine the amount by which income must change to move from one bracket to another.

For example, let's say a client's taxable income for 2013 is $200,000, putting him in the 28% bracket (for joint filers). However, his estimated taxable income for 2014 is $225,000—in the 33% bracket. Shifting a few thousand dollars of income from 2014 to 2013 will cut the tax on that income by 5 cents on the dollar. But there's a limit on this strategy. If too much income is shifted into 2013, the client will be pushed into the 33% bracket for 2013. That amounts to converting income taxed at 33% next year into income taxed at 33% this year.

Your clients may routinely accelerate spending at year-end to increase their tax deductions—for example, by making year-end charitable contributions and prepaying other deductible expenses, such as state or local taxes and mortgage interest. However, for clients whose income is on the rise, those deductions may be more valuable in 2014. On the other hand, even for these clients, smart year-end spending can generate deductions that would not be available if the expenses were spread out over two years. Here are two examples:

Miscellaneous deductions: Miscellaneous itemized expenses are deductible only to the extent they exceed 2% of a taxpayer's adjusted gross income. The 2% deduction floor applies to a long list of items including unreimbursed employee business expenses, investment counseling fees, custodial fees on property held to produce income, safe deposit rentals, job hunting expenses—and, of course, tax return preparation fees.

If a client's miscellaneous expenses are already at or surpass 2% of adjusted gross income, your client should be on the lookout for ways to accelerate other miscellaneous expenses from early 2014 into this year. That way, the client will be sure to get a deduction on this year's return, while the same expenses may not be deductible at all in 2014 if miscellaneous expenses don't top the 2% mark.

You may want to point out to clients with employee business expenses that they can sidestep the 2% rule if their employer pays for their business expenses under an accountable plan. The payments will be tax-free to them. In some cases, it may be worthwhile for a client to take a pay cut if he or she can work out a reimbursement arrangement with the employer. A reimbursement arrangement will effectively allow the client to pay the expenses with pre-tax, rather than after-tax, dollars.

Medical expenses: Medical expenses are also subject to a deduction floor—what's more that floor has gotten higher. Starting in 2013, unreimbursed medical expenses for most taxpayers are now deductible only to the extent they exceed 10% of adjusted gross income (the prior 7.5% floor continues to apply through 2017 if the taxpayer or spouse is age 65 or older). As a result, taxpayers can claim medical expense deductions only if they have a significant amount of medical expenses that are not covered by health insurance. Nonetheless, each year many taxpayers needlessly pass up a chance to deduct at least part of their medical bills.

Your clients should total up all unreimbursed medical and dental expenses they have incurred so far in 2013 and compare that figure with an estimate of the adjusted gross income for the year. If the expenses are at, over, or near the 10% mark, it makes sense to accelerate what would otherwise be 2014 medical and dental expenses into 2013.

For example, a client can move up an scheduled doctor's visit or eye exam from January to December. A client may also want to pay the full cost of an ongoing procedure, even if treatment won't be completed until next year. By bunching expenses in 2013, there's a better chance of getting a deduction.

Accelerating medical payments is only half the story. Clients should examine their bills for often-overlooked deductions. For example, the extra cost of orthopedic shoes or a special mattress for an arthritic condition, Medicare B premiums, room and board for a live-in nurse, the cost of medical travel, and the portion of a child's tuition bill that covers medical care all qualify for deductions. Medically necessary home improvements—installation of an access ramp, a walk-in shower, or even an elevator—can also qualify for medical expense deductions. And these big-ticket items may be key to passing the deduction threshold.

October 2013

		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Key Compliance Dates

Wednesday, October 2 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on September 25–27.

Friday, October 4 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on September 28–October 1.

Wednesday, October 9 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 2–4.

Thursday, October 10 - Tipped employees who received $20 or more in tips during September report them to the employer on Form 4070.

Friday, October 11 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 5–8.

Tuesday, October 15 - Monthly depositors deposit FICA and withheld income tax for September. Individuals file 2012 income tax return if automatic six-month extension was obtained.

Thursday, October 17 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 9–11.

Friday, October 18 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 12–15.

Wednesday, October 23 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 16–18.

Friday, October 25 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 19–22.

Wednesday, October 30 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 23–25.

Thursday, October 31 - Employers file Form 941 for the third quarter of 2013 (if tax was deposited tax in full and on time file by November 12). Deposit federal unemployment tax owed through September if more than $500.

To-Do List

- ☐ Conduct year-end tax planning sessions with individual clients.
- ☐ Remind individual clients to use flexible spending account funds before year end unless plan provides post year-end grace period.
- ☐ File returns for individual clients who obtained automatic six-month extensions.
- ☐ Renew Preparer Tax Identification Number (PTIN) for 2014.

Notes

Are You Ready to E-File?

Under current rules, virtually all tax return preparers must file client returns electronically. And preparers who are not in compliance with the e-file mandate can expect to hear from the IRS. In anticipation of the 2013 filing season, the IRS sent letters and scheduled "educational" visits with some 700 tax professionals who were not living up to their e-filing responsibilities.

The e-file mandate applies to any individual income tax return prepared a tax return preparer if--

- the return is filed by the tax return preparer, and
- the tax return preparer is a "specified tax return preparer" for the calendar year in which the return is filed.

Covered preparers. For any calendar year, a tax return preparer is a "specified tax return preparer" unless the preparer reasonably expects to file 10 or fewer covered returns (see below) during the calendar year. IRS rules require firms to compute the total number of covered returns the firm expects to file for the year. If that number tops 10, then all members of the firm must e-file. Thus, the e-file mandate applies to a firm member even if he or she individually expects to file fewer than 11 returns for the year.

Covered returns. The e-file mandate is not limited to Form 1040. For purposes of the mandate, individual income tax returns include income tax returns of estates and trusts as well as individuals. On the other hand, the mandate applies only to returns filed by the return preparer. A return is considered filed by a tax return preparer if the preparer or any employee, member, or agent of the preparer or the preparer's firm submits the return to the IRS on behalf of the client, either electronically or on paper. For example, the simple act of dropping a return in the mail for a client is treated as filing the return. However, if the preparer gives a paper return to a client who drops the return in the mail, then the preparer has not "filed" the return.

There are, however, some exceptions to the e-file mandate. Some returns are technically covered returns, but can't be filed electronically. For example, Form 1040-NR, U.S. Nonresident Alien Income Tax Return, cannot currently be e-filed. In addition, some clients may choose to file on paper—and preparers can honor that choice (see below).

The IRS says that in counting the number of returns a preparer reasonably expects to file, the preparer should start with an estimate of the total number of covered returns he or she expects to prepare and then subtract returns that cannot be filed electronically and returns the preparer expects clients to file on paper.

Finally, a preparer who will experience difficulty c omplying with the e-file mandate can request a hardship waiver by filing Form 8944, Preparer e-file Hardship Request. The form indicates that waivers will be granted in cases of bankruptcy, federally declared disasters or where the preparer demonstrates that compliance would cause undue economic or other hardship.

How to Handle Paper Filers. You may have some clients who are resistant to e-filing. Some clients may simply be comfortable with the familiar paper returns they've been filing for years, while others may be wary of allowing their personal tax information to be transmitted electronically.

A covered preparer must honor the client's preference for paper filing. However, the preparer should not file the paper return for the client. Instead, the preparer should document the client's choice to file on paper and keep a signed copy of the statement on file. In addition, the preparer must complete Form 8948, Preparer's Explanation for Not Filing Electronically, and attach it to the client's return. The preparer should check box 1 on Form 8948 to indicate that the client chose to file the return on paper.

> Note: Form 8948 must be completed for each covered return that is not filed electronically, including returns that cannot be filed electronically or that are rejected by the e-file system.

Act Now. If you or your firm has not already done so, take action now to enroll for e-filing. A preparer must be an authorized e-file provider to use IRS e-file. The authorization process generally takes about 45 days.

To begin the application process, a preparer must sign up for an e-Services account. In the case of a firm, every principal and responsible officer must sign up for e-Services. The preparer or firm can then submit an e-file provider application. The IRS will conduct a suitability check on the preparer or firm members that may include a credit check, tax compliance check, criminal background check, and a check for prior noncompliance with the e-file requirements.

Once the application is approved, the preparer or firm will get an acceptance letter from the IRS with an Electronic Filing Identification Number (EFIN). EFINs are issued on a firm basis; all preparers in the firm are covered by one EFIN.

intuit ACCOUNTANTS

November 2013

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Key Compliance Dates

Friday, November 1 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 26–29.

Wednesday, November 6 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on October 30–November 1.

Friday, November 8 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 2–5.

Tuesday, November 12 - File Form 941 for the third quarter if all third quarter of 2013 if tax for the quarter was deposited in full and on time.

Tipped employees who received $20 or more in tips during October report them to the employer on Form 4070.

Thursday, November 14 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 6–8.

Friday, November 15 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 9–12.

Wednesday, November 20 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 13–15.

Friday, November 22 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 16–19.

Wednesday, November 27 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 20–22.

To-Do List

- ☐ Remind individual clients whose withholding status will change in 2014 to submit new W-4 forms to their employers.
- ☐ Remind individual clients who may have underpaid estimated taxes to increase withholding from salary and wages to make up for shortfall.
- ☐ Register online to use IRS e-services. Preparers who anticipate filing 11 or more 1040, 1040A, 1040EZ and 1041 during the year must file electronically.
- ☐ Set up tax preparation software and test e-filing. Download IRS e-file logo and order IRS e-file marketing materials. See the EFTPS Tool Kit at http://www.irs.gov/pub/irs-pdf/p4320.pdf

Notes

Get Your Clients Ready for Tax Return Season

Your office may be geared up and ready for tax return season. However, the most streamlined office procedures will not guarantee a successful tax return season without the cooperation of one key element: your clients. If clients are habitually late in submitting tax return information or supply you with incomplete or disorganized information, the time spent sifting and sorting and contacting clients for missing data will throw a monkey wrench into the most well-oiled machine.

Here are some tips for getting your clients ready for the upcoming tax return season.

Get Clients Organized

Now is the time to provide your clients with tax return preparation packets and tax data organizers. Send them out early, so that clients have time to complete them properly. As part of this process, explain to clients when you need to see actual source documents and when it is acceptable for them to simply provide you with lists and schedules of tax data. Impress upon your clients that the more preparatory work they do before submitting their return for preparation, the smaller their bills will be. After all, time is money.

You may also want to consider developing a checklist for clients of the types of documentation they should be accumulating throughout the year. By giving clients this checklist along with their completed 2013 returns, you can get a jumpstart on the next go-round. Stress to clients that it is much easier to compile tax records on an ongoing basis than to scramble to collect everything at year end—and they are much less likely to overlook something that could save them tax dollars.

Set Firm Deadlines

Establish deadlines for when you will accept client data—and clearly communicate those deadlines to your clients. Stick to your guns by putting returns on extension if documentation is submitted after the deadline. There will, of course, be extenuating circumstances in which clients deserve some leeway. However, perennial procrastinators will get the message if you set and stick to your cut-off dates.

Schedule Reminders

As your deadlines approach, send out reminder notices or call those clients who have not yet submitted their 2013 tax data or who have not submitted all the information necessary to complete their returns. Emphasize once again that a client's return cannot be prepared by the original return due date if tax information is not received in a timely fashion. This is a good time to get clients to commit one way or another. Explain the rules for obtaining an automatic filing extension and advise clients that a filing extension may be appropriate if they are having difficulty gathering the necessary tax information. In fact, you may want to send this type of reminder early on to those clients whose returns have typically required an extension—for example, clients who have to apply for an extension every year because of habitually late K-1 information from partnership investments. By identifying extended returns as soon as possible, you and your staff won't waste limited busy season time working on returns that will not be ready by the original return due date.

Establish Procedures for Missing Info

It's always preferable to get information from clients in writing, but it's not always possible when the tax return deadline is fast approaching. You may have had instances where you or a staff member obtained client information over the telephone only to have the client later dispute the accuracy of that information. To avoid such disputes,

develop procedures now to ensure the accuracy of last-minute data submissions. Whenever possible, have clients submit any additional information in writing by fax or e-mail. If you must obtain information verbally, make it a practice to follow up with a written memo. Make sure your clients understand that you will assume the information is accurate unless you are promptly notified of any changes.

Estimate Your Bill

Most tax return preparers have had experience with clients who are outraged when they receive their bills. You can avoid this type of confrontation by providing clients with up-front estimates of their return preparation costs. Stress, however, that these figures are estimates only. Midway through the return preparation process, send an interim bill along with an explanation of any changes from your original estimate.

Cut Off Deadbeats

You may have clients who are habitually late paying their bills, who always contest—and refuse to pay—part of the bill, or who have owed you significant amounts of money for quite some time. Take a long, hard look at your outstanding accounts receivable. Now is the time to bite the bullet and decide which clients you ought to write off and refuse to serve any longer.

INTUIT ACCOUNTANTS

December 2013

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

To-Do List

- ☐ Establish tax return preparation procedures.
- ☐ Develop tax preparation docket sheet.
- ☐ Analyze tax season staffing needs.
- ☐ Prepare tax season work assignments.
- ☐ Prepare tax preparation packets for clients
- ☐ Review new tax developments.
- ☐ Remind individual clients of January 15 due date for final 2013 estimated tax payment.

Key Compliance Dates

December - Employees whose withholding status will change in 2013 should submit a new Form W-4 to the employer. The new form should be submitted as early as possible to guarantee implementation of the withholding change in January.

Monday, December 2 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 23–26.

Wednesday, December 4 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 27–29.

Friday, December 6 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on November 30–December 3.

Tuesday, December 10 - Tipped employees who received $20 or more in tips during November report them to the employer on Form 4070.

Wednesday, December 11 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 4–6.

Friday, December 13 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 7–10.

Monday, December 16 - Monthly depositors deposit FICA and withheld income tax for November. Calendar-year corporations pay fourth installment of 2013 estimated tax.

Wednesday, December 18 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 11–13.

Friday, December 20 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 14–17.

Thursday, December 26 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 18–20.

Monday, December 30 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 21–24.

Notes

Information Please!

In the past several years, the tax law's information reporting requirements have mushroomed. In some cases, information returns are intended to arm the IRS with information to ferret out unreported income or overstated deductions. For example, recently enacted reporting rules now require reporting of credit card payments made to businesses [IRC Sec. 6050W] and basis reporting in connection with stock sales [IRC Sec 6045(g)].

The upsurge in information reporting has not been without its critics. One new information requirement provoked such controversy that it was repealed before it could take effect. The 2010 health reform law included a provision to expand the 1099 information reporting requirements to include payments to corporations and payments for property starting in 2012. However, those requirements were quickly repealed by Congress in 2011.

Most information returns are due to recipients by the end of January. To keep you up to speed, here is a rundown of the most common information returns your clients are likely to receive this month in connection with their 2013 returns.

Form 1098, Mortgage Interest Statement: Mortgage interest (including points) and certain mortgage insurance premiums paid of $600 or more.

Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes: Information regarding a donated motor vehicle, boat or airplane with a claimed value of more than $500.

Form 1098-E, Student Loan Interest Statement: Student loan interest paid of $600 or more.

Form 1098-T, Tuition Statement: Qualified tuition and related expenses paid and reimbursements or refunds received. May optionally report scholarships or grants.

1099-A, Acquisition or Abandonment of Secured Property: Information about the acquisition by the lender or abandonment by the borrower of property that is security for a debt.

1099-B, Proceeds from Broker and Barter Exchange Transactions: Information on sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions.

1099-C, Cancellation of Debt: Cancellation of debt of $600 or more owed to a financial institution or other lender.

Form 1099-DIV, Dividends and Distributions: Dividends, capital gain distributions, or nontaxable distributions paid on stock of $10 or more and liquidation distributions of $600 or more.

Form 1099-G, Certain Government Payments: Unemployment compensation, state and local income tax refunds, agricultural payments, and taxable government grants.

Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments: Advance payments of health insurance premiums received by eligible trade adjustment assistance (TAA), Reemployment TAA, or Pension Benefit Guaranty Corporation (PBGC) pension recipients.

Form 1099-INT, Interest Income: Interest income received of $10 or more ($600 or more in certain cases).

Form 1099-K, Merchant Card and Third Party Network Payments: Payments received by credit card or payments of more than $20,000 received through a third party payment network.

Form 1099-LTC, Long-Term Care and Accelerated Death Benefits: Payments received under a long-term care insurance contract and accelerated death benefits received under a life insurance contract or viatical settlement.

Form 1099-MISC, Miscellaneous Income: Reports payments of $600 or more made in the course of business to a contractor or other service provider. Other reportable business payments include rents of $600 or more to an individual landlord, partnership, or estate; attorney's fees of any amount; barter exchange services valued at $600 or more; wages of a deceased employee paid to an estate or beneficiary; and royalties of $10 or more.

Form 1099-OID, Original Issue Discount: Original issue discount (OID) of $10 or more on a bond or other indebtedness.

Form 1099-PATR, Taxable Distributions Received From Cooperatives: Passed-through distributions received from a cooperative of $10 or more, including pass-through credits and domestic production activities deductions.

Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530): Distributions received from a Section 529 qualified tuition program (QTP) or Coverdell Education Savings Account (ESA).

Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.: Distributions of $10 or more received from a retirement plan, profit sharing plan, regular or Roth IRA, an insurance contract, an annuity, survivor income benefit plan. Also reports retirement plan rollovers, certain disability payments, death benefit payments, and distributions from nonqualified deferred compensation plans.

Form 1099-S, Proceeds From Real Estate Transactions: Gross proceeds of $600 or more from the sale or exchange of real estate.

Form 1099-SA, Distributions From an HSA, Archer MSA, or Medicare Advantage MSA: Distributions from health savings accounts, Archer medical savings accounts, and Medicare Advantage medical savings accounts.

Information Please!, continued.

Form 3921, Exercise of an Incentive Stock Option Under Section 422(b): Reports the transfer of an employer's stock to an employee pursuant to the exercise of an incentive stock option under Code Section 422(b).

Form 3922, Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c): Reports the transfer of employer stock acquired through an employee stock purchase plan under Code Section 423(c).

Form 5498, IRA Contributions Information: Reports contributions (including rollover contributions to an individual retirement arrangement (IRA), including a SEP, SIMPLE, or Roith IRA. Also reports Roth conversions, IRA recharacterizations, and the fair market value of the account.

Form 5498-ESA, Coverdell ESA Contribution Information: Reports contributions including rollover contributions to a Coverdell education savings account.

Form 5498-SA, HSA, Archer MSA or Medicate Advantage MSA Information: Reports contributions to a health savings account (including transfers and rollovers) or Archer medical savings account. Also reports the fair market value of an HSA, Archer MSA or Medicare Advantage MSA.

W-2G, Certain Gambling Winnings: Gambling winnings of 600 or more from horse racing, dog racing, jai alai, lotteries, sweepstakes, wagering pool, and poker tournaments; winnings of $1,200 or more from bingo or slot machines; and $1,500 or more from keno.

W-2, Wage and Tax Statement: Reports wage, tips and other compensation and social security, Medicare, and withheld income taxes. Reported amounts include bonuses, vacation pay, severance pay, certain moving expense payments, travel allowances, and third party sick pay.

intuit ACCOUNTANTS

January 2014

			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

To-Do List

- ☐ Send tax preparation packets and tax data organizers to individual clients.
- ☐ Alert individual clients to the option of filing the 2012 return by January 31 in lieu of making final 2012 estimated tax payment.
- ☐ Remind business clients of information reporting requirements.

Key Compliance Dates

Thursday, January 2 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 25–27.

Monday, January 6 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on December 28–31.

Wednesday, January 8 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 1–3.

Friday, January 10 - Tipped employees who received $20 or more in tips during December report them to their employers on Form 4070.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 4–7.

Wednesday, January 15 - Monthly depositors deposit FICA and withheld income tax for December.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 8–10.

Individuals pay final installment of 2013 estimated tax.

Friday, January 17 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 11–14.

Thursday, January 23 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 15–17.

Friday, January 24 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 18–21.

Wednesday, January 29 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 22–24.

Friday, January 31 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 25–28.

Furnish copies of Form W-2 for 2012 to employees.

Furnish information returns to retired employees (Form 1099-R) and noncorporate independent contractors who were paid $600 or more (Form 1099-MISC).

Employers file Form 941 for the fourth quarter of 2013 (If tax was deposited in full and on time, file by February 10).

Qualifying small employers file annual Form 944 for 2013 (in lieu of quarterly Form 941s).

Employers file Form 940 for 2013 (if tax was deposited in full and on time, file by February 10). Tax due of $500 or less can be paid with Form 940 or deposited; if tax due is more than $500, employer must deposit it.

Individuals file individual income tax return for 2013 in lieu of January 15 estimated tax payment.

File Form 945 for 2013 to report income tax withheld on nonpayroll items.

Save That Refund!

If you've told your clients once, you've told them a thousand times: Overpaying your taxes to get a refund at tax time is not a good idea. It amounts to giving Uncle Sam an interest-free loan. But clearly, the message is not getting through. For example, the I.R.S. doled out 109.3 million refunds in 2011--and the average refund was more than $2,900.

Face it, people like tax refunds. Many will argue that a planned tax refund is a kind of forced savings. But is that refund really saved once the check has been cashed? In many cases, the answer is "No." After all, that big screen TV or luxury vacation can be pretty tempting once that check arrives. In fact, in a recent survey more than 40% of people said they planned to spend their refunds.

If you've been unsuccessful in weaning your clients off their addiction to tax refunds, why not try a different approach? Suggest that clients direct their tax refunds to a savings or investment account.

Many clients undoubtedly use the IRS's direct deposit feature to have their refunds electronically transferred to a checking or savings account. But those accounts are no different than cash in hand (especially, with a handy debit card) and are rife with temptation to spend those refund dollars on the latest gadget or gizmo.

What clients may not know is that they can use direct deposit to transfer their refunds to a variety of savings vehicles that may be less open to temptation. For example, instead of a simple checking or savings account, a client can direct the IRS to deposit all or part of a refund into a mutual fund, brokerage, or credit union account, as long as the account is in the client's name.

Tax-favored accounts. A refund can be directly deposited into a variety of tax-favored account, including a regular or Roth IRA, a health savings account (HSA), medical savings account (MSA), or education savings account (ESA).

With these accounts, clients need to make sure the deposit amount does not exceed the contribution limits for the account and is taken into account when making any further contributions for the year. For example, if a client directs that a $2,000 refund be deposited into an ESA for a year, no further contributions to the account can be made for that year since the maximum annual ESA contribution is $2,000.

The trustee of an account will assume that a deposit is on account of the year it is received. For example, a refund shown on a 2013 return that is directly deposited into an IRA in April 2014 will be treated as a 2013 contribution. However, in the case of an IRA, a client has until the due date of the return to make contributions for a given year. Moreover, a client can deduct a contribution in advance if it will be made by the return due date (not including extensions). Consequently, a client who plans to use a 2013 refund to make an IRA contribution can deduct the contribution on the 2013 return so long as the refund deposit is received by the IRA before the return due date (and the IRA trustee is directed to apply the contribution accordingly). Clients should plan ahead if they want to use this strategy, however. If the refund is not received in time, it will be necessary to file an amended return to reduce the IRA deduction for the year.

TreasuryDirect ® Accounts. A client can request a deposit of a refund to a TreasuryDirect® online account to buy U.S. Treasury marketable securities and bonds. To use this option clients must set up a TreasuryDirect® account. Once a tax refund has been deposited , the client can access the account to make purchases of securities and bonds.

U.S. Savings Bonds. Your clients can use their tax refunds to buy paper Series-I U.S. Savings Bonds in their own names (for married taxpayers filing jointly, in both spouses' names) or in the name of another individual, such as a child or grandchild. A client can request up to three different bond registrations, and can name a co-owner or beneficiary for any registration.

Savings bonds can be purchased through the refund option in multiples of $50, up to $5,000 (or the amount of the refund due, if less).

Savings bonds purchased through direct deposit are mailed directly to your client. The client does not have to set up a TreasuryDirect® account to buy savings bonds.

Mix and match. None of these direct deposit options is an all-or-nothing proposition. If a client wants to direct his or her entire refund into a single account or Treasury Direct®, all that's necessary is to provide the appropriate account information in the refund section of the client's return. However, if the client wants to split a refund among accounts or buy paper U.S. savings bonds, Form 8888, Allocation of Refund (Including Savings Bond Purchase), must be attached to the return.

Oops! Clients who opt to split their refund should prioritize their options. If a refund is increased or decreased, except in the case of the savings bond option, any upward or downward adjustment in a refund will be reflected in the last account listed on the form. In the case of a savings bond purchase, if the client's refund is offset for any reason (or the bond request is not a multiple of $50), the bond option will not apply and the refund will be made by check. If the amount of the refund is increased, the additional refund will be sent in the form of a check or direct deposited.

Intuit ACCOUNTANTS

February 2014

						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

To-Do List

- ☐ Send reminders to individual clients who have not returned tax preparation packets or scheduled appointments.
- ☐ Review pros and cons of S corporation election with eligible corporate clients.
- ☐ Remind calendar year corporate clients of March 17 income tax return filing deadline.

Key Compliance Dates

Wednesday, February 5 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on January 29–31.

Friday, February 7 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 1–4.

Monday, February 10 - Employers file Form 941 for the fourth quarter of 2013 if tax for the quarter was deposited in full and on time.

Tipped employees who received $20 or more in tips during January report them to the employer on Form 4070.

Employers file Form 940 for 2013 if tax for the year was deposited in full and on time.

Wednesday, February 12 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 5–7.

Friday, February 14 - Monthly depositors deposit FICA and withheld income tax for January.

Claims for 2013 exemption from income tax withholding expire; employers must begin withholding tax unless employee has submitted a new W-4 to continue exemption for 2014.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 8–11.

Thursday, February 20 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 12-14.

Friday, February 21 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 15-18.

Wednesday, February 26 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 19-21.

Friday, February 28 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 22-25. FileForm 1099 information returns (reports of payments of $600 or more, $10 dividend and interest payments) for 2013. Electronic filers see April 1.

Large food and beverage establishment employers file Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips; use Form 8027-T if reporting for more than one establishment. Electronic filers see April 1.

Employers file Copy A of all Forms W-2 issued for 2013 with the Social Security Administration (SSA). Paper Forms W-2 should be accompanied by a Form W-3. Electronic filers see April 1.

Notes

How To Help Clients Who Can't Pay

You do your best to make sure your clients do not get any unpleasant surprises when you hand them their completed tax returns. You remind them of the requirement to prepay their taxes through withholding or estimated tax installments—and to adjust those prepayments if circumstances change during the year. Nonetheless, there will always be clients who owe tax when they file their returns. And, in these tough economic times, you may have an increasing number of clients who have skimped on tax prepayments to meet other obligations. Moreover, many of these clients may not have the funds available to pay up when the tax bill comes due.

What not to do. Impress upon your clients that they should not hold off on filing their returns until they can come up with the money to pay the tax due in full. If a return is not filed on time, the client will be hit with failure to file penalties in addition to penalties and interest on the unpaid tax bill.

What to do. Advise clients to pay as much as they can as soon as they can to minimize late payment penalties and interest—even if that means liquidating investments or borrowing money. While a client may balk at cashing out savings or borrowing to pay a tax bill, the interest charged on borrowings may be lower than the combined penalties and interest owed to the IRS on late payments. Bear in mind, too, that some types of borrowing may have tax or other advantages. For example, interest on a home equity loan may be deductible for tax purposes. In addition, clients may want to consider borrowing from a 401(k) plan or life insurance, if available. While the interest payments are not tax deductible, the client is essentially borrowing from him or herself since the payments on the loan replenish the account or life insurance value.

A client who needs time to cash in assets or arrange for a loan can apply for a short-term extension of 60 to 120 days. The IRS does not charge a fee for a short-term extension, but penalties and interest continue to accrue on the unpaid tax.

Installment payment agreements. If other options are not available, a client can request an installment payment agreement from the IRS. Here again, interest and penalties continue to accrue until the tax is paid in full. In addition, the IRS charges a one-time user fee for setting up an installment agreement. Generally, the fee is $105, but the fee is reduced to $52 for direct debit agreements under which the agreed upon payments are automatically deducted from the client's bank account. The fee may be reduced to $43 for lower-income individuals.

Under the IRS's Fresh Start initiative, if the tax due plus penalties and interest is $50,000 or less, an individual client can arrange for a streamlined installment payment agreement. The maximum term for streamlined installment agreements is 72 months and the minimum monthly payment is $25. If the total amount due is greater than $25,000, but not more than $50,000, the client must agree to a direct debit agreement to qualify without submitting a financial statement. If the client does not agreement to make the payments by direct debit, the client must complete Form 433-F, Collection Information Statement.

Streamlined agreements are available to small businesses with $25,000 or less in unpaid liabilities. These agreements give a business 24 months to pay by direct debit.

The IRS generally will not take enforced collection actions, such as levying on a client's wages or bank accounts, when an installment agreement is being considered, while an agreement is in effect, for 30 days after a request is rejected, or during the period the IRS evaluates appeal of a rejected or terminated agreement.

Offers in compromise. A client who is struggling to make ends meet may qualify for an offer in compromise. An offer in compromise (OIC) is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. Absent special circumstances, an offer will not be accepted if the IRS believes that the liability can be paid in full as a lump sum or through a payment agreement.

In most cases, the IRS will not accept an OIC unless the amount offered by the taxpayer is equal to or greater than the reasonable collection potential (RCP). The RCP is how the IRS measures the taxpayer's ability to pay and includes the value that can be realized from the taxpayer's assets, such as real property, automobiles, bank accounts, and other property. The RCP also includes anticipated future income, less certain amounts allowed for basic living expenses. A streamlined offer in compromise program, involving fewer requests for financial information and greater flexibility in determining ability to pay, may be available for taxpayers with annual incomes up to $100,000 and tax liabilities of less than $50,000.

Intuit ACCOUNTANTS

March 2014

						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
30 / 23	31 / 24	25	26	27	28	29

Key Compliance Dates

Wednesday, March 5 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on February 26–28.

Friday, March 7 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 1–4.

Monday, March 10 - Tipped employees who received $20 or more in tips during February report them to the employer on Form 4070.

Wednesday, March 12 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 5–7.

Friday, March 14 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 8–11.

Monday, March17 - Monthly depositors deposit FICA and withheld income tax for February.

Calendar-year corporations file 2013 income tax return (Form 1120 for C corporations; 1120S for S corporations; alternatively, file for an automatic six-month extension.

Last day to elect S corporation treatment for 2014 (Form 2553).

Wednesday, March 19 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 12–14.

Friday, March 21 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 15–18.

Wednesday, March 26 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 19–21.

Friday, March 28 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 22–25.

To-Do List

- [ ] File extensions for individuals who have not met deadline for return preparation.
- [ ] Remind individual clients of April 15 estimated tax payment.
- [ ] File extensions for corporate clients that will not meet March 17 filing deadline.

Notes

What To Tell Clients About Amended Returns

At one time, a popular consumer financial magazine ran an annual feature in which accountants were asked to prepare a tax return for a hypothetical couple. And year after year, no two practitioners calculated the "correct" tax liability. Moreover, the results they did come up with often varied by tens of thousands of dollars. True, the hypothetical returns they were asked to prepare were designed to be especially tricky. However, the fact of the matter is that mistakes can crop up even on run-of-the-mill returns.

At this time of year, tax return preparers frequently detect errors on prior years' returns. For example, a cross-check of a client's 2013 return against returns for prior years may reveal unreported income or a missed deduction for an earlier year. In addition, there will inevitably be clients who show up after their 2013 returns have been filed waving a misplaced 1099 or a stack of receipts for a deduction that was not claimed on the return.

And, of course, nobody's perfect. There may be situations where mistakes were made in preparing a client's return. For example, miscalculation of the holding period for an asset may have turned long-term gain into less favorably taxed short-term gain or misapplication of a phase-out limit may have cost the client all or part of a deduction.

Practice Tip: A review of returns for open years can be an enticing "value added" service for new clients. You'll probably want to offer this service gratis in connection with preparation of the current year's return. But, of course, you will want to charge a fee for correcting any errors you catch.

Preparer Responsibilities

In some cases, it may be tempting to let sleeping dogs lie, especially if correcting a return error will produce a negligible difference in a client's tax for the year. However, the Circular 230, the official code of conduct for practice before the IRS, requires a preparer to "advise the client promptly" of an error. The AICPA's Statements on Responsibilities in Tax Practice (SRTP), which interprets and expands upon Circular 230, further provides that when informing a client of an error, a practitioner should recommend the proper measures to be taken. Moreover, the SRTP makes it clear that the duty to inform clients of a return error applies regardless of whether the preparer who caught the error actually prepared the return in question.

Some clients may be reluctant to correct a return error. In the case of underreporting, a client may want to play the odds and wait and see if the IRS picks up on the error. And even if a correction will result in a refund, a client may believe that filing an amended return will prompt a full-scale IRS audit. In advising clients, you should point out that promptly correcting an underreporting error will reduce the amount of interest and penalties payable on the deficiency. On the other hand, clients should be advised not to pass up legitimate tax writeoffs out of fear of the IRS. The IRS maintains that an amended return will not automatically trigger a minute inspection of a taxpayer's return.

In any case, the decision whether to correct a tax return error ultimately rests with the client. According to the SRTP, a practitioner has no duty to inform the IRS of a return error and may do so only with the client's permission "except where required by law." On the other hand, the SRTP states that when a client refuses to correct an error that has more than an insignificant impact on his or her tax liability, a practitioner must "consider whether to withdraw from preparing the return and whether to continue a professional relationship with the client." If a practitioner determines that it is not necessary to sever relations with the client, the SRTP emphasizes that the practitioner must take reasonable steps to ensure that the error is not repeated on the current year's return.

A preparer's financial liability for a tax return error is not clear cut. From the IRS's point of view, any unpaid tax, interest, and penalties are the taxpayer's responsibility, regardless of who made the error. However, an irate client who is advised of a mistake on his or her return may seek to hold the preparer financially responsible—and, of course, the client may object to the fee for preparing the return. To avoid disputes, many preparers use tax return engagement letters specifying the limits on the preparer's liability for return errors.

On the flip side, a missed deduction or credit generally does not present a liability issue. In most cases, a client will be made whole when he or she receives a refund plus interest. This assumes, of course, that the error is corrected in a timely fashion. At least one court has held a practitioner liable for damages when he missed the deadline for filing an amended return claiming a refund. Therefore, it behooves a practitioner to act promptly once an error is detected—and to pay close attention to the requirements for filing amended returns.

intuit ACCOUNTANTS

April 2014

		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

To-Do List

- ☐ File extensions for individual clients who will not meet April 15 filing deadline.
- ☐ Conduct reviews of clients' prior year returns to determine need for amended returns.

Key Compliance Dates

Tuesday, April 1 - Form 1099 information returns, Copy A of Form W-2, or Form 8027 for 2014 must be filed if filing electronically.

Wednesday, April 2 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 26-28.

Friday, April 4 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 29-April 1.

Wednesday, April 9 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 2–4.

Thursday, April 10 - Tipped employees who received $20 or more in tips during March report them to the employer on Form 4070.

Friday, April 11 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 5–8.

Tuesday, April 15 - Individuals file 2013 returns (Form 1040, Form 1040A, or Form 1040EZ); alternatively, file for an automatic six-month extension (Form 4868).

Partnerships file 2013 information return (Form 1065; alternatively, file for an automatic five-month extension (Form 7004).

Individuals and calendar-year corporations pay first installment of 2014 estimated tax.

Monthly depositors deposit FICA and withheld income tax for March.

Wednesday, April 16 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 9–11.

Friday, April 18 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 12–15.

Wednesday, April 23 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 16–18.

Friday, April 25 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 19-22.

Wednesday, April 30 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 23-25.

Employers file Form 941 for the first quarter of 2013 (if tax for the quarter was deposited in full and on time file by May 12)

Employers deposit federal unemployment tax owed through March if more than $500.

Notes

Tax Tips for Your Newlywed Clients

Marriage, birth of a child, divorce, retirement—these are just some of the events that bring important changes to a person's life. In the case of a client, these milestone events can also have a major impact on his or her tax picture. With the summer wedding season about to begin, let's look at the tax implications of one of life's happiest milestones: a wedding.

Name Changes

When one spouse takes the other's last name or, as is increasingly common, both spouses hyphenate their last names, any name changes should be reported to the Social Security Administration as soon as possible. If the newlyweds file a tax return without updating their Social Security records, there will be processing delays if the IRS computers can't match the new name with the Social Security number on the return.

A name change should be reported to the Social Security Administration before it is reflected on the client's W-2. Simply reporting the change to the client's employer is not enough—although, of course, that should be done as well. The Social Security Administration must be notified so it can update the client's records and issue a new Social Security card. Otherwise, your client's earnings may not be properly posted to his or her Social Security account.

The client notifies the Social Security Administration of a name change by filling out Form SS-5, Application for a Social Security Card, available at any Social Security office or by calling 1-800-772-1213. For a name change, documentation must be submitted that shows the both the client's old name and the new name.

Address Changes

If the newlywed couple is moving to a new home, each spouse should notify the IRS by filing Form 8822, Change of Address. The U.S. Postal Service should be notified so that it can forward any IRS correspondence or refunds that are issued before the change is recorded in the IRS systems.

Wage Withholding and Estimated Tax

Newlyweds should file a revised Form W-4, Employee's Withholding Allowance Certificate, with their employers to reflect their new marital status. For example, if the spouses earn approximately the same incomes and they file jointly, their tax may be higher than their combined tax as unmarried individuals. This is the well-known "marriage penalty." Unless the couple files new W-4s to increase withholding, they may be significantly underwithheld.

On the other hand, if one spouse earns most or all of the couple's income, a joint return will produce a lower tax than two single returns. In other words, they will receive a "marriage bonus." Therefore, unless the couple reduces their withholding, they will be overwithheld.

Clients who prepay their taxes through estimated tax payments should adjust those payments accordingly.

Filing Status

Couples married by the end of the year are considered married for the entire year for tax purposes. So they can file their returns for the year as either marrieds filing jointly or separately. They should be advised that they can no longer file as single taxpayers.

Because of the graduated tax rate system, if one spouse earns all or most of the income, joint filing can result in significant tax savings. On the other hand, if the spouses have roughly the same incomes, the couple should figure their tax using both the joint and separate filing status and use the one that produces the lower tax.

For example, certain deductions have minimum thresholds. Casualty losses and medical expenses are deductible only to the extent that they exceed 10% of adjusted gross income and miscellaneous expenses are deductible only in excess of 2% of adjusted gross income. If one spouse has a disproportionate amount of these deductions, more deductions may be available on separate returns because of the reduced income thresholds. Newlyweds should be cautioned, however, that if one spouse itemizes deductions on a separate return, the other spouse must do so as well; one spouse cannot itemized while the other claims the standard deduction.

On the other hand, some tax benefits are available to joint filers but not to separate filers. For example, only joint filers can make contributions to an individual retirement account (IRA) set up for a nonworking spouse. And only joint filers can claim the dependent care credit and the earned income credit. Most significantly for young newlyweds, the education credits, the deduction for student loan interest, and the tuition and fees deduction cannot be claimed on a separate return.

Intuit ACCOUNTANTS

May 2014

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Key Compliance Dates

Friday, May 2 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 26–29.

Wednesday, May 7 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 30-May 2.

Friday, May 9 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 3–6.

Monday, May 12 - Tipped employees who received $20 or more in tips during April report them to the employer on Form 4070.

Employers file Form 941 for the first quarter of 2014 if tax for the quarter was deposited in full and on time.

Wednesday, May 14 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 7–9.

Thursday, May 15 - Monthly depositors deposit FICA and withheld income tax for April.

Friday, May 16 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 10–13.

Wednesday, May 21 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 14–16.

Friday, May 23 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 17–20.

Thursday, May 29 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 21–23.

Friday, May 30 - Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 24–27.

To-Do List

- ☐ Conduct post-season review.
- ☐ Evaluate tax software.
- ☐ Remind individual clients of June 16 estimated tax payment.
- ☐ Alert clients who need to file amended returns.

Notes

Contact Us

www.lacertesoftware.com
www.proseries.com

intuit®

5601 Headquarters Drive
Plano, TX 75025

800-765-7777