

2013 Year End Tax Update

Home Owner Energy Credits

If you (and your spouse, if married) have invested, or are considering investing, in insulation, storm windows or doors, high efficiency furnaces, water heaters or similar energy improvements, you may be eligible for a 10-30% Federal income tax credit in many cases. It is limited to a maximum of \$500 for insulation and storm doors but unlimited for solar, wind and geothermal power!

Mortgage Interest

Recent IRS scrutiny of home mortgage interest deductions now require us to carefully track both refinancings and the usage of loan proceeds. Please provide us with any new home loan information, closing statements from any refinancings and a summary of what any additional loan proceeds were used for.

Charity

A 2008 IRS court case reminded everyone of the rules governing charitable contributions. ALL deductions, of any amount, must have a receipt. Any individual contribution over \$250 must have an acknowledgement letter from the charity and the letter must be dated by the date we file your return. The letter should show both the date and the amount of any single contribution above \$250, and should also state that no goods or services were received in return for the contribution.

Foreign Accounts

The IRS is looking closely at offshore accounts. If you have an account, rental property or business interest with a value over \$10,000 in a foreign country, or any foreign business ownership (not through a mutual fund) please let us know. Some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mileage Deductions

Deductible mileage rates changed during the past year. Please provide us with the number of medical miles you drove during 2013 for this deduction. Your mileage includes trips to the doctor, dentist, pharmacies, dialysis, as well as any charity-related volunteer work.

Education Credits

A major revision of college tax credits by President Obama has given us the "American Opportunity Credit," a new credit for undergraduate college students. If you have children in college or near to college, please be sure to discuss your options with us in order to ensure you receive the best benefit for these costs.

Rental Property

If you own a rental property, the IRS has demanded substantially more information this year. We now need, FOR EACH PROPERTY SEPARATELY, the physical location, the type of property (single-family, duplex, etc), any Forms 1099-K received, and a record, again by property, of the number of days the property was rented and the number of days it was used for personal purposes.

Roth IRA Conversions

You will continue to hear from lots of “experts” this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are some serious disadvantages that carry some major tax consequences. Please do not convert your accounts in 2013 without coming in to see us for an appointment to discuss both the pros and cons of conversion. All conversions for 2013 must be completed by December 31, 2013.

Gift Changes

On January 1, 2013, the amount you may gift to one person in one year without incurring any return filing requirements increased to \$14,000 and will remain at this amount for 2014. Also, Congressional inaction on the estate tax front means that most people with any substantial net worth should immediately consider estate planning. Please feel free to contact us to discuss either of these issues.

Worthless Stocks and Bonds

If you own stocks or bonds that became worthless this past year, please be sure to provide us with the cost and purchase dates so that you can take any allowable deductions.

Tax Planning

There is still time to set up an appointment for year end tax planning. We recommend a meeting by December 31st if you experienced any major changes in 2013 or are expecting major financial changes in 2014, including retirement or inheritances.

Future Income Tax Rates & Other

Now is the time to plan for your future. Congress has both increased certain taxes and also dramatically estate tax rules. As you get your information to us for your 2013 Federal tax return, we highly recommend that you set up an appointment for a post tax season “tax tune up” in order to establish or update your tax and estate planning strategies. If your income is over \$200,000 it is almost mandatory that we meet for future tax planning because of surtaxes. Also, if you receive any Forms 1099-K, please be sure to bring them to us, as they may have a direct impact on your return.

There are literally hundreds of additional changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes, we request that everyone try to have their tax information in to us at least two weeks earlier than normal, and no later than March 21, 2014. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount.

Sincerely,



Juda Kallus, EA