

TAX TIMES

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WHAT YOU NEED TO KNOW BEFORE FILING YOUR 2013 TAXES

“When you don’t fully understand tax laws, you may pay too much or risk an audit!”

Every year brings new and revised tax regulations, including deductions and credits to which you may be entitled. Unless you’re a professional tax practitioner, how can you be sure you’re receiving maximum benefit and fairness from the U.S. Tax Code? Depending on your personal situation, you could benefit from professional expertise.

KEEPING GOOD RECORDS REDUCES STRESS AT TAX TIME

Maintaining good records can make filing your return a lot easier, and it will help you remember transactions you made during the year. Here are a few things you should know about recordkeeping.

Generally speaking, you should keep any and all documents that may have an impact on your tax returns. Keep your records in a safe place. You may wish to organize them by year and type of income or expense, or keep all records related to a particular item in a designated envelope. Keeping well-organized records also ensures you can answer questions if your return is selected for examination or prepare a response if you receive a notice.

Individual taxpayers should usually keep the following records supporting items on their tax returns for at least three years:

- Bills
- Credit card and other receipts
- Invoices
- Mileage logs
- Canceled, imaged or substitute checks or any other proof of payment
- Any other records to support deductions or credits you claim on your return

You should normally keep records relating to property until at least three years after you sell or otherwise dispose of the property. Examples include:

- A home purchase or improvement
- Stocks and other investments
- Individual Retirement Arrangement transactions
- Rental property records

If you are a small business owner, you must keep all your employment tax records for at least four years after the tax becomes due or is paid,

Enrolled Agents...

- advise, represent, and prepare tax returns for individuals, partnerships, corporations, estates, trusts and other entities;
- have strenuous requirements, both to obtain enrollment and to maintain the license through stringent, comprehensive tax education;
- are respected as “The Tax Professionals”!

whichever is later. Examples of important documents business owners should keep. Include:

- *Gross receipts: Cash register tapes, bank deposit slips, receipt books, invoices, credit card charge slips and Forms 1099-MISC*
- *Proof of purchases: Canceled checks, cash register tape receipts, credit card sales slips and invoices*
- *Expense documents: Canceled checks, cash register tapes, account statements, credit card sales slips, invoices and petty cash slips for small cash payments*
- *Documents to verify your assets: Purchase and sales invoices, real estate closing statements and canceled checks*

Be sure to ask your Enrolled Agent or tax professional if you have any questions about what kinds of records you should keep, or how long you should keep them. Your Enrolled Agent can answer questions about how the law applies to your individual tax returns, and help you resolve any tax problems.

2013 Federal Filing Requirements for Most Taxpayers

Filing Status	Gross income at least:
Single taxpayer	
Under 65	\$10,000
65 or older	\$11,500
Married filing separate (regardless of age or vision) or jointly if not living with spouse at the end of 2013)	
	\$3,900
Married filing joint	
Both under 65	\$20,000
One spouse 65 or older	\$21,200
Both spouses 65 or older	\$22,400
Head of Household	
Under 65	\$12,850
65 or older	\$14,350
Qualifying widow with child	
Under 65	\$16,100
65 or older	\$17,300

California Use Tax Lookup Table -- Use It, or Start Saving Receipts

The explosion of electronic commerce has fueled an ongoing debate regarding its tax implications. In the face of a long-term shift to a service-driven economy, many states cannot risk losing an important source of sales/use tax revenue from purchases of tangible products.

According to the State of California Board of Equalization, California is aggressively collecting all the taxes the law allows no matter how small and that means tax due on Internet and out-of-state purchases.

If you purchase merchandise from a vendor located outside the state or country, you may owe California use tax. This includes purchases you make over the Internet. When you or your tax preparer, prepares your taxes you need to declare what purchases you made outside of California, because you can pay the use tax with your income tax return.

Use tax is like sales tax, however you will pay it directly to the state, rather than the retailer. The rule of thumb is, you owe use tax if what you bought would have been subject to sales tax if you purchased it at a local store and you didn't pay California sales tax. You generally owe California use tax when you use, store, or consume – in California – tangible personal property purchased from an out of state vendor. If the vendor does not collect the California tax on the purchase, the purchaser must pay the tax directly to the state. If you don't report and pay your use tax in a timely manner, such as with your income tax return, the state will assess penalties and interest.

Here are the details on the state's new use tax and lookup table.

For tax years beginning on or after January 1, 2013, taxpayers may report use tax for single non-business purchases of \$1,000 or less on their FTB return using either:

- The actual amount of tax due; or
- The amount shown on the lookup table.

Taxpayers who use the lookup table will indicate an estimated amount of use tax due based on AGI. The Board of Equalization approved the lookup table in 18 Cal. Code Regs 1685.5

Adjusted Gross Income (AGI) Range:	UseTax Liability
Less Than \$20,000	\$5
\$20,000 to \$39,999	\$11
\$40,000 to \$59,999	\$18
\$60,000 to \$79,999	\$25
\$80,000 to \$99,999	\$31
\$100,000 to \$149,999	\$45
\$150,000 to \$199,999	\$61
More than \$199,999 -Multiply AGI by 0.033% (.00033)	

Safe Harbor

Using the lookup table provides a safe harbor for individuals who would rather not or forget to keep receipts of purchases made. The lookup table may only be used by taxpayers reporting use tax on their individual income tax returns (Form 540 series).

As a taxpayer who pays use tax using a Form BOE 401DS, Consumer Use Tax Return, they may not use the lookup table.

Example:

Ted surfs the Internet buying odds and ends that look interesting. Ted has not made a single purchase in excess of \$1,000 but estimates that his purchases were between \$1,500 and \$2,000. Ted's AGI is \$125,000. If Ted reports his use tax on Form 540, his use tax (using the table) is \$45.00.

If Ted wants to pay his use tax using FORM BOE 401D, he must total all of purchases, and calculate his use tax owed on those purchases.

COMMON ERRORS TO AVOID AT TAX TIME

Errors made on tax returns may delay the processing of your tax return, which in turn, may cause your refund to arrive later. Here are some common errors to avoid in order to guarantee that your refund arrives on time.

- **Incorrect or missing Social Security Numbers.** When providing SSNs for anyone listed on your tax return, be sure they are exactly as they appear on the Social Security cards.
 - **Incorrect or misspelling of dependent's last name.** When providing a dependent's last name on your tax return, ensure it is exactly as it appears on the Social Security card.
 - **Filing status errors.** Make sure your filing status complies with your situation. There are five filing statuses: Single, Married Filing Jointly, Married Filing Separately, Head of Household, and Qualifying Widow(er) With Dependent Child. Your Enrolled Agent can help you determine your correct filing status.
 - **Math errors.** When gathering information for your tax professional, be sure to take your time and review all math for accuracy.
 - **Incorrect bank account numbers for Direct Deposit.** Make sure that the financial institution routing and account numbers you provide for the return for a direct deposit of your refund are accurate. Incorrect numbers can cause the refund to be delayed or misdirected.
- Providing your Enrolled Agent with the correct information will expedite the filing process and ensure that you receive your refund as quickly as possible.

Health Care Reform “Obama-Care”

Everyone Must Have Health Care Insurance

Overview

President Obama signed comprehensive health reform, *The Patient Protection and Affordable Care Act* (P.L. 111-148), into law on March 23, 2010. The law added Section 5000A to the Internal Revenue Code. The original law and its subsequent changes are the most sweeping health care reforms the United States has ever experienced. We will summarize some of the most important features of the this law – most of them tax related, but some non-tax related.

The Law’s Overall Approach To Expanding Access To Medical Coverage

The law requires most U.S. citizens and legal residents to have health insurance. It will create Health Benefit Exchanges through which individuals can purchase coverage. Premium and cost-sharing credits will be available to individuals and families that purchase insurance through these exchanges if their income is between 133-400 percent of the federal poverty levels (FPL). Most employers will be required to offer health insurance or pay penalties for non-covered employees that receive health insurance tax credits through an exchange.

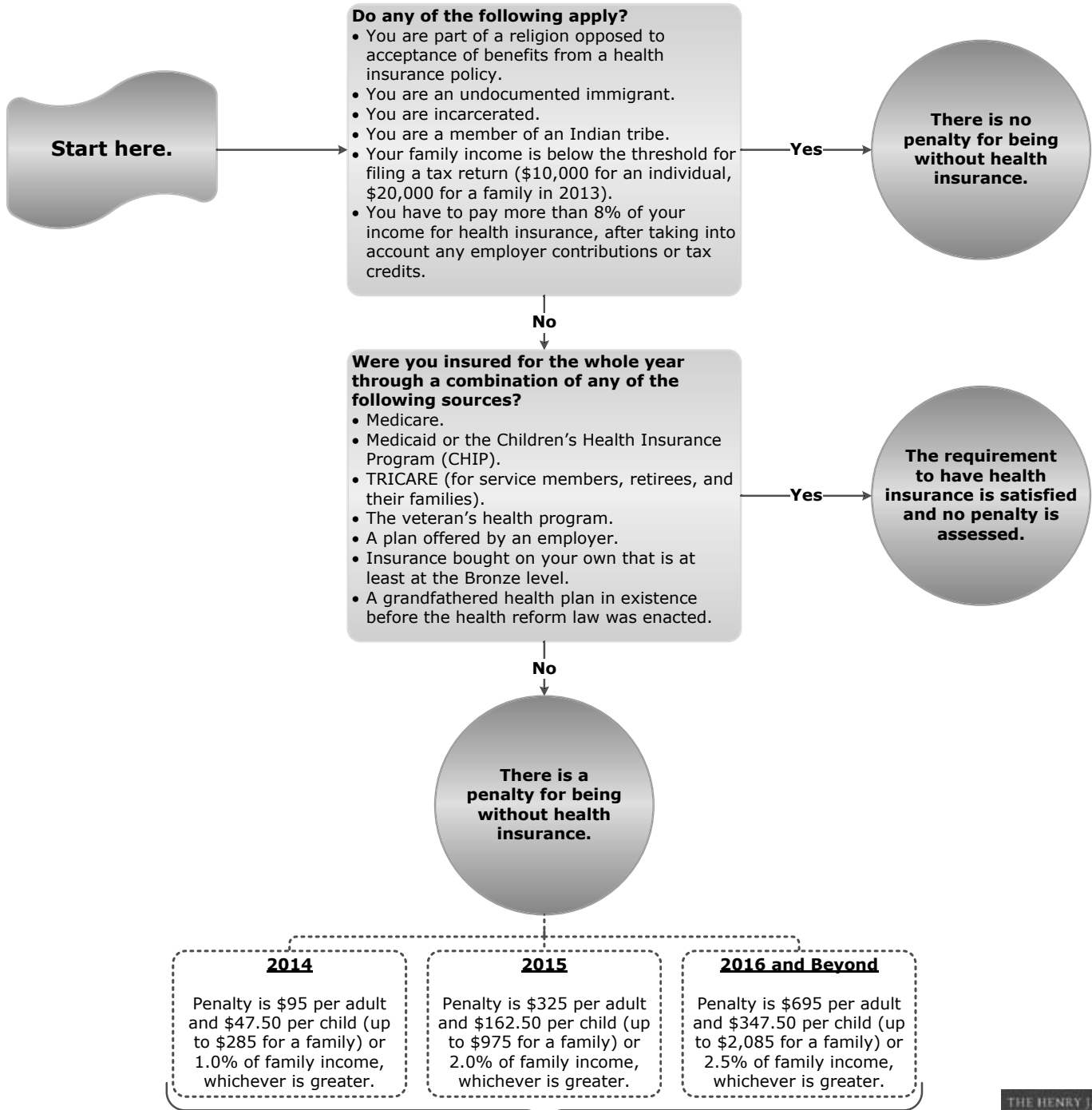
Please note the above information does not affect your 2013 taxes, but will affect your taxes in 2014. Please see the chart on the following page. This chart is from the Kaiser Family Foundation website and gives you an overview of the provision.

For additional information you may find these references helpful:

OBAMACAREFACTS.com	<i>Discussion of Health Care Reform Act</i>
COVEREDCA.com	<i>California’s Health Insurance Exchange</i>
HEALTHCARE.gov	<i>Federal Health Insurance Exchange</i>
Aspe.hhs.gov/proverty/	<i>Federal Poverty Level Guidelines</i>
KFF.or/health-reform/	<i>Kaiser Family Foundation Health Reform</i>

Basic income tax references to “2010 Patient Protection and Affordable Care Act (P.L. 111-148)” and Internal Revenue Code Section 5000A (including Proposed Regulations Section 1.5000A-0 through 5) are also very useful.

Beginning in 2014



Income is defined as total income in excess of the filing threshold (\$10,000 for an individual and \$20,000 for a family in 2013). The penalty is pro-rated by the number of months without coverage, though there is no penalty for a single gap in coverage of less than 3 months in a year. The penalty cannot be greater than the national average premium for Bronze coverage in an Exchange. After 2016 penalty amounts are increased annually by the cost of living.



Key Facts:

- **Premiums for health insurance bought through Exchanges would vary by age. The Congressional Budget Office estimates that the national average annual premium in an Exchange in 2016 would be \$4,500-5,000 for an individual and \$12,000-12,500 for a family for Bronze coverage (the lowest of the four tiers of coverage that will be available).**
- **In 2012 employees paid \$951 on average towards the cost of individual coverage in an employer plan and \$4,316 for a family of four.**
- **A Kaiser Family Foundation subsidy calculator illustrating premiums and tax credits for people in different circumstances is available at <http://healthreform.kff.org/subsidycalculator.aspx>.**

Making the Most of Non-Cash Charitable Donations

During the year, we all do some closet cleaning and take plastic bags or cardboard boxes of used clothing and household goods to local non-profit organizations or arrange for a truck to come to the home and pick up the items.

If you itemize your deductions on your federal income tax return, those donations can be tax dollar savers. To help you determine the value of your non-cash donations, here are some helpful hints:

Make a list of the donated property, being sure to make a separate list for each bag or box that is donated. At the top of the list, write the name and address of the charity along with the

date the donation was made.

Divide the list into several columns and complete as accurately as possible:

- Description of item
- Quantity (# of shirts, slacks, sweaters, etc)
- Condition of item (new, good, fair or poor)
- Fair market value at the time of the donation
- Date acquired and cost basis (if known)

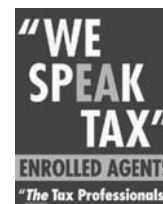
The Internal Revenue Service allows a deduction for the fair market value at the time of the donation. That value can be determined by an appraisal, through a catalog or using thrift shop values.

Below is a list of various items that are usually available at the **Salvation Army and Goodwill** donation centers with a high/low range of values for items in good condition (means appliances are in working order and clothing or bedding items are clean and not torn). As always, please feel free to call the office and discuss your personal situation with regard to these and other non-cash charitable donations.

WOMEN'S CLOTHING	FURNITURE	APPLIANCES	CHILDREN'S CLOTHING
Bathrobe	\$2-10 Bed (w/springs/mat-double)	\$50-120 Coffee Maker	\$4-15 Boots
Blouse	2-12 Bed (w/springs/mat-single)	35-80 Dryer	45-90 Coat
Coat	7-40 Chest	25-95 Gas Stove	50-125 Crawlrs
Dress	3-30 China Cabinet	85-300 Iron	5-10 Dress
Handbag	3-9 Coffee Table	10-12 Microwave	10-50 Pants, Jeans
Hat	1-8 Crib W/mattress	25-100 Refrigerator	75-250 Blouse, Shirt
Jacket	4-12 Desk	25-140 Toaster	10-15 Slacks, Skirts
Pants	2-10 Double Mattress	25-50 Vacuum Cleaner	20-60 Shoes
Pants Suit	2-10 Dresser W/mirror	20-100 Washer	40-150 Snowsuit
Shoes/boots	4-18 End Tables (2)	4-20 Air Conditioner	20-90 Sweater
Skirt	2-12 Floor Lamp	6-30	
Suit	5-30 Folding Bed	20-60	
Sweater	2-20 Futon	50-225	
	Kitchen Set (Table, 2 Chairs)	35-170	
MISC.	Playpen	4-30	
Christmas Tree	\$15-50 Single Mattress	15-35	
Riding Mower	100-300 Stroller	10-40	
Lawn Mower	25-100 Covertible Sofa (W/mattress)	90-300	
Elec. Typewriter	75-200 Sofa	35-200	
Color Television	75-225 Table Lamp	5-75	
Sewing Machine	15-85 Trunk (Wood)	15-30	
Books/hardback	1-3 Upholstered Chair	25-90	
Books/paper	.75-1.50		
Board Games	1-3		
Luggage	5-15		
SPORTING GOODS	DRY GOODS	ELECTRONICS	
Bicycle	\$20-60 Bedspread (double)	\$100-400 Computer	
Fishing Rod	3-16 Blanket	5-50 Monitor	
Ice Skates	3-15 Curtains (single)	10-50 Printer (Dot Matrix)	
Roller Blades	3-15 Drapes	50-125 Printer (Laser)	
Pool Table	20-75 Pillow	10-50 Radio	
Tennis Racket	3 Sheet	75-225 Television	
	Throw rug	75-200 Typewriter (Electric)	

Your list(s) and receipt(s) will not be attached to your tax return unless the aggregate total of the items exceeds \$500, but should be part of your records in the event your tax return is selected for audit.

The IRS requires a dated, written receipt for all cash and non-cash donations, as well as a written list of items donated, including their values.



Non-Cash Contribution Worksheet for Tax Year

A	B	C	D	E	F	G	H	I
	QTY.	FMV	TOTAL			QTY.	FMV	TOTAL
LADIES					CHILDRENS			
CLOTHING					CLOTHING			
Blouses					Blouses			
Bathrobes					Boots			
Boots					Coats			
Bathing suits					Dresses			
Coats					Jackets			
Dresses					Jeans/Pants			
Evening dresses					Snowsuits			
Fur coats					Shirts			
Handbags					Shoes			
Hats					Skirts			
Jeans/Slacks					Slacks			
Skirts					Sweaters			
Shoes								
Slips/bras								
Suits					MENS			
Sweaters					CLOTHING			
					Coats			
DRY GOODS					Jackets			
					Jeans/Slacks			
Blankets					Shirts-Dress			
Bedspreads					Shirts-Polo			
Curtains					Shoes			
Drapes					Sport Jackets			
Pillows					Sweaters			
Sheets					Suits			
Throw rugs					Ties/belts			
Towels								
					HOUSEHOLD			
FURNITURE					ITEMS			
Chairs/recliners					Bric-a-brac			
Loveseats/sofas					Dishes			
Table & chairs					Glassware			
Other tables					Pots & pans			
Other chairs					Utensils			
Area rugs					Lamps			
Baby items:					Mirrors			
Cribs					Pictures			
High chairs					Sewing machines			
Playpens					Luggage			
Strollers					Toys & games			
					Books - hardback			
OTHER ITEMS					Books - paperback			
					Magazines			
					Computer			
					Printer			
Total column D					GARAGE ITEMS			
Total column I								
Grand total					Lawn mowers			
Lawn tools								
Date of donation:					Wheelbarrow			
Receipt attached ?					Lawn furniture			
Name & address					Gas grills			
of organization					Small tools			

Tax Appointment Worksheet

	<input checked="" type="checkbox"/>	Event	Documents or Information Needed
1	<input type="checkbox"/>	Married or divorced in 2013	Married – prior year return of both spouses Divorced – copy of the divorce decree
2	<input type="checkbox"/>	Birth or Adoption	Social Security cards and adoption papers
3	<input type="checkbox"/>	Death of child or spouse	Date of death – death certificate copy
4	<input type="checkbox"/>	Additional members of household	Date of occupancy and relationship
5	<input type="checkbox"/>	Job change	Start date, Name of new employer, W-2s from new and old employers
6	<input type="checkbox"/>	Unemployment	Unemployment Form 1099G
7	<input type="checkbox"/>	Retirement contribution	Type of plan, amount of contribution
8	<input type="checkbox"/>	Retirement distributions	Form 1099-R
9	<input type="checkbox"/>	Social Security Benefits	Form 1099-SSA
10	<input type="checkbox"/>	Sale of stocks, bonds, etc.	Form 1099-B or other sale documents; basis or original costs
11	<input type="checkbox"/>	Purchase of stocks, bonds, etc., personal residence, or other real estate	Purchase documents; closing papers
12	<input type="checkbox"/>	Inheritance	Will; K-1 from the estate
13	<input type="checkbox"/>	Trade any property	Date of trade, property given up and property received, basis and FMV; qualified intermediary sales agreements or closing papers
14	<input type="checkbox"/>	Start or end a small business	Formation or termination dates; Property contributions or distributions
15	<input type="checkbox"/>	Lawsuit settlements	Date received; reason for the settlement; 1099-MISC
16	<input type="checkbox"/>	Rental property	Income, expenses, new property purchased
17	<input type="checkbox"/>	Prizes	Form 1099-MISC; value of prizes not included on Form 1099-MISC
18	<input type="checkbox"/>	Lottery or gambling winnings	Total amount won whether on W-2Gs or not; total amount of losses
19a	<input type="checkbox"/>	Health insurance, medical, dental, or drug expenses	Health insurance premiums; if it is an employer plan, know whether it is paid with pretax dollars; medical, dental, and drug expenses.
19b	<input type="checkbox"/>	Health insurance	Pre-taxed (i.e. cafeteria plan, PPO)
19c	<input type="checkbox"/>	Medical miles	During 2013, 24 cents per mile
20	<input type="checkbox"/>	State income or property taxes paid	Prior year's income tax return; property tax bills; closing papers from the purchase or sale of property; letter from the state regarding any change in a prior filed return
21	<input type="checkbox"/>	Purchase/ refinance sale of a home	Closing papers from purchase; Forms 1098; recapture credit repay
22a	<input type="checkbox"/>	Charitable contributions of money, property, or out-of-pocket expenses	Date and type of contributions, IRA transfer receipts from organizations have been received; mileage log for charitable work
22b	<input type="checkbox"/>	Charitable miles	During 2013, 14 cents per mile
23a	<input type="checkbox"/>	Job-related expenses	Mileage log, travel, or miscellaneous expense amounts for items related to employment
23b	<input type="checkbox"/>	Business miles	During 2013, 56.5 cents per mile
24	<input type="checkbox"/>	Educational or student loan interest expenses	Form 1098-T for parents or children; interest record for student loans, Form 1098-E
25	<input type="checkbox"/>	Child or disabled spouse care	The name, address, and ID number of the day care provider; the amount paid to the provider; if the provider comes into your home a W-2 may be required
26	<input type="checkbox"/>	Energy credit	Information regarding the purchase of solar or wind energy property
27	<input type="checkbox"/>	Bankruptcy/debt forgiveness/ foreclosure	Date filed/court docs; 1099A or 1099C, date property taken by lender or sold
28	<input type="checkbox"/>	Foreign investments or holdings	Foreign financial interests or accounts

2013 California Tax Rate Schedule

Note: California has a 1% surtax on taxable income above \$1 million (all filing statuses)

Single, Married/RDP Filing Separate					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	7,582	0.00	plus	1%	\$0
7,582	17,976	75.82	plus	2%	7,582
17,976	28,371	283.70	plus	4%	17,976
28,371	39,384	699.50	plus	6%	28,371
39,384	49,774	1360.28	plus	8%	39,384
49,774	254,250	2191.48	plus	9.30%	49,774
254,250	305,100	21,207.75	plus	10.30%	254,250
305,100	508,500	26,445.30	plus	11.30%	305,100
508,500	and over	49,429.50	plus	12.30%	508,500
Married/RDP filing joint and surviving spouse w/Dependent(s)					
If taxable income is:					Of amount over:
Over	But not over	Tax is:			
\$0	15,164	0.00	plus	1%	\$0
15,164	35,952	151.64	plus	2%	15,164
35,952	56,742	567.40	plus	4%	35,952
56,742	78,768	1399.00	plus	6%	56,742
78,768	99,548	2,720.56	plus	8%	78,768
99,548	508,500	4382.96	plus	9.30%	99,548
508,500	610,200	42,415.50	plus	10.30%	508,500
610,200	1,017,000	52,890.60	plus	11.30%	610,200
1,017,000	and over	98,859.00	plus	12.30%	1,017,000
Head of household					
If taxable income is:					Of amount over:
Over	But not over	Tax is:			
15,174	35,952	151.74	plus	2%	15,174
35,952	46,346	567.30	plus	4%	35,952
46,346	57,359	983.06	plus	6%	46,346
57,359	67,751	1643.84	plus	8%	57,359
67,751	345,780	2475.20	plus	9.30%	67,751
345,780	414,936	28,331.90	plus	10.30%	345,780
414,936	691,560	35,454.97	plus	11.30%	414,936
691,560	and over	66,713.48	plus	12.30%	691,560
Exemption Credits					
Married/RDP filing joint and surviving spouse					\$212
Single, Married/RDP filing separate, Head of Household, blind, and age 65 or older					\$106
Dependent					\$326
2013 California Standard Deductions (taxpayer not as dependent)					
Single and married/RDP filing separate					3,906
Married/RDP filing joint, surviving spouse and Head of Household					\$7,812
2013 Federal Standard Deductions (Taxpayer not a dependent)					
Single					\$6,100
Married filing separate					\$6,100
Married filing joint and surviving spouse					\$12,200
Head of Household					\$8,950

2013 Federal Tax Rate Schedules

Federal Personal Exemption. . . . \$3,900

Single					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$8,925	\$0.00	plus	10%	\$0
8,925	36,250	892.50	plus	15%	8,925
36,250	87,850	4,991.25	plus	25%	36,250
87,850	183,250	17,891.25	plus	28%	87,850
183,250	398,350	44,603.25	plus	33%	183,250
398,350	400,000	115,586.25	plus	35%	398,350
400,000	-----	116,163.75	plus	39.6%	400,000
Married Filing Separate					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$8,925	\$0.00	plus	10%	\$0
8,925	36,250	892.50	plus	15%	8,925
36,250	73,200	4,991.25	plus	25%	36,250
73,200	111,525	14,228.75	plus	28%	73,200
111,525	199,175	24,959.75	plus	33%	111,525
199,175	225,000	53,884.25	plus	35%	199,175
225,000	-----	62,923.00	plus	39.6	225,000
Married Filing Jointly or Qualifying Widow(er)					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$17,850	\$0.00	plus	10%	\$0
17,850	72,500	1,785.00	plus	15%	17,850
72,500	146,400	9,982.500	plus	25%	72,500
146,400	223,050	28,457.50	plus	28%	146,400
223,050	398,350	49,919.50	plus	33%	223,050
398,350	450,000	107,768.50	plus	35%	398,350
450,000	-----	125,846.00	plus	39.6%	450,000
Head of Household					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$12,750	\$0.00	plus	10%	\$0
12,750	48,600	1,275.00	plus	15%	12,750
48,600	125,450	6,652.50	plus	25%	48,600
125,450	203,150	25,865.00	plus	28%	125,450
203,150	398,350	47,621.00	plus	33%	203,150
398,350	425,000	112,037.00	plus	35%	398,350
425,000	-----	121,364.50	plus	39.6%	425,000

2013 Federal Add'l Std Ded. Blind and/or Elderly Taxpayers	
Single & Head of Household	
Blind or Elderly	\$1,500
Blind and Elderly	\$3,000
Married taxpayers filing joint, married filing separate and surviving spouse	
65 or older or blind (per taxpayer)	\$1,200
65 or older and blind (per taxpayer)	\$2,400