

## 2013 Tax Matters Newsletter

My partner Fred Gould and I are members of two different BNI groups (Business Networking International). Each week, as part of the meeting, every member has to give a one minute commercial on their business. It is a chance to promote your company in front of a few dozen business people, and practice your public speaking while not jeopardizing “attention spans” (since each commercial is only a minute long). Since *taxes* and *attention spans* tend to work against each other, our intent with this newsletter is to give you a variety of one minute topics. More in-depth information can be obtained by calling our office or visiting our website at [www.gsgcpas.com](http://www.gsgcpas.com). One topic longer than one minute will be a recap of our annual Questionnaire Contest.

### **Changes Brewing**

Actually, the brewing is complete. Patrick Gray, a GSG partner for the past twelve years, left the firm a few months ago to take the CFO position at Bell’s Brewing. It was a “hop-ortunity” Pat could not pass up. We wish Pat well in his new endeavor.

We have hired an experienced CPA to take over Pat’s block of business. Dave Comer spent seven years at a large regional CPA firm, where he was promoted to tax manager. Dave spent the last two years as Controller at a local construction company. We are lucky and excited to have Dave join the firm! Pictures and short bios of our entire staff, including our seasonal CPA’s, can be found at the *Our Team* link on our website.

### **Name Change**

This is a chance to plant the seed for this year’s Tax Organizer Questionnaire Contest question that will be part of our Organizer mailing in late December: “What do you think we should change the name of our firm to?” The name change will come after the upcoming tax season, after we use up the final 1,000 Tax Matters tax folders in our inventory!

### **ACA**

As we now know, ACA stands for Another Complex Act. Keeping this topic to one minute is like, well, not like anything comparable. The Affordable Care Act may or may not ever be affordable, but eventually the Exchanges will start functioning properly and millions will be signing up. For those that do, a little over a year from now you will be receiving a tax document from the exchanges showing your subsidies or rebates. These documents will be needed for 2014 taxes. This is the first of many reminders to NOT throw those documents away. There will be no effect on your 2013 taxes.

You will find a more detailed client newsletter on the individual tax aspects of the ACA, including penalties for not having insurance, on our website's home page.

### **Expiring Tax Provisions**

Whether Congress will extend these provisions or not is an unknown as of today. As it currently stands, at the end of 2013, the following tax deductions or credits will expire:

1. Deduction for state and local sales taxes (more prevalent in no-income-tax states).
2. Deduction for mortgage insurance premiums (insurance, not interest).
3. *Deduction* for qualified tuition (although the tuition tax CREDITS remain).
4. Deduction for teacher expenses (was always way too low anyway at \$250).
5. Tax credit for energy efficient home expenditures (windows, insulation, etc.)
6. Cancellation of debt income on home acquisition debt; after 2013 this is taxable again.

### **New 2013 Provisions in Effect Now**

In the Congressional tax battles of one year ago, taxpayers at higher adjusted gross income (AGI) levels did not fare well to say the least.

1. Partial phase-out of itemized deductions (AGI over \$300K joint and \$250K single).
2. Phase-out of personal exemption deduction (AGI over \$300K joint and \$250K single).
3. New Medicare surtax: .9% (.009) on "earned" income (W-2, self-employment); tax is on earned income in excess of \$250K joint and \$200K single.
  - a. Employees will see their Medicare tax withholding increase once they hit \$200K.
  - b. Any excess or shortage will be accounted for when the tax return is filed.
4. New Unearned Income surtax: 3.8% of investment income (interest, dividends, capital gains, net rental income, are examples), when AGI exceeds the same threshold amounts as the Medicare surtax in Item 3 above.
5. New higher tax rate: We *could* say "old" tax rates, as the 2003 highest marginal tax rate of 39.6% is back with us, at least at taxable income levels of \$450K joint and \$400K single. The highest rate has been 35% for the past decade. The new high rate still pales in comparison to the 1980 rates (70% in 1981; 50% as late as 1986).

We are sorry this section far exceeded the one minute tax-attention-span threshold we spoke of earlier, but if you find yourself (perhaps thankfully) in these higher income brackets, contact us with questions or planning concerns.

## Home Office Deduction

There is a new, simplified “safe-harbor” method to calculating the home office deduction. The new basic calculation is multiplying the office space square footage by \$5, with a maximum \$1,500 deduction. Same qualifying rules, just a simpler calculation for those who need it or benefit from it. We will check the new and the old method to determine which is best.

## Mileage Log

There were a few court cases in 2013 where taxpayers were hammered for not keeping sufficient records relating to business mileage deductions. Whether using the mileage method or actual expense method for deducting vehicle expenses for your business, the IRS wants to see contemporaneous (“as you go”) records showing the mileage and business purpose documentation. This is often a sizable deduction for the self-employed... if it got thrown out for lack of documentation, back taxes could be coupled with substantial underpayment penalties. Hence, develop this habit so that you and your CPA can sleep better at night.

## Questionnaire Contest Winner

If there is one thing that separates us from our competition, it is the annual Organizer Questionnaire Contest. We are pretty certain most everything else we do is probably copied or matched by at least one other CPA firm somewhere. However, the Questionnaire Contest... highly unlikely.

Last year’s question was this: ***“How can Gould, Stinson & Gray, PC improve our business model or services”?*** Client responses we dare to reprint are noted below:

1. Do my taxes Gangnam Style (if you haven’t been to a wedding reception with dancing in the past year or so, this one may not mean much to you).
2. Casual Fridays are passé. Go with Tuxedo Tuesdays with gowns, tuxes, etc.
3. Create virtual CPAs to send into our homes to gather all tax-related documents.
4. Groupons.
5. Provide free pulled pork sandwiches from our new smoked meats neighbor, when dropping off or picking up returns.
6. Drive-through service with employees on skates; serve shakes while taxes prepared.
7. Complimentary micro-brew keg during tax season (for clients, not preparers!).
8. Prepare taxes on a Lake Michigan fishing charter.
9. Have a high-rise building with indoor parking for the inclement tax season weather. Include a cafeteria with a gourmet chef and serve hors d’oeuvres in the lobby. Top off with a massage room with live music to settle the nerves.

10. Open a Florida branch.
11. Provide GSG bobble head dolls that only shake their heads “no” (as the answer, we assume, to the question, “Can I deduct THAT?”). --winner
12. Have larger than life costumed characters out waving to motorists on M-43.
- 13...and one more related to next year’s question: “Change your name to Ghouls, Stinson & Gray, PC, to coincide with the impending zombie apocalypse”.

### **In conclusion and appreciation**

Thank you for choosing us to assist you with your tax and accounting needs. Fred and I, along with our staff, are grateful to our clients for allowing us to grow this business at our current location for the past 22 years!

Please contact us with any concerns on information provided in this newsletter, or with other tax or financial questions. Also visit our website at [www.gsgcpas.com](http://www.gsgcpas.com).