

The Acumen Insider

Acumen Financial, CPA

Discover the benefits of a small firm with big ideas!

December 2013



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2013 Tax Changes

Meet our Staff- Kendra

Acumen's Mission

Acumen provides creative financial information solutions to growing, progressive, Northwest based organizations. These services are provided with a responsive, holistic approach by highly knowledgeable staff who are enthusiastic about their role in serving clients.

Dear Heather,

Start collecting your tax related items now! It will make for an easier and faster process once you are ready to submit them, resulting in a quicker turnaround on your return. Also, be sure to take a look at the 2013 Tax Changes article below. It contains useful information for nearly every tax filer.

Did you know?

The Italians are the fathers of modern day accounting. In 1494, Luca Pacioli wrote a book on arithmetic, geometry and proportions which included a 27 page treatise on bookkeeping. Want to sit down with that on a Sunday afternoon? His book was one of the first published on a Gutenberg press and was the teaching tool on those topics for the next several hundred years.

ABC Pw Ltd
General Ledger
All Transactions

Date	Type	Date	Ref	Desc	Debit	Credit	Balance
Cash At Bank							
Client A							
Deposit		01/01/2013		Accounts Receivable	100,000.00		100,000.00
Charge		05/01/2013	1	Customer Co.		100.00	99,900.00
Charge		05/01/2013	2	Insurance Co.		700.00	99,200.00
Total Client A					100,000.00	800.00	99,200.00
Client B							
Deposit		02/01/2013		Accounts Receivable	150,000.00		150,000.00
Total Client B					150,000.00	0.00	150,000.00
Client C							
Deposit		03/01/2013		Accounts Receivable	200,000.00		200,000.00
Total Client C					200,000.00	0.00	200,000.00
Cash At Bank - Other							
Total Cash At Bank - Other							0.00
Total Cash At Bank					450,000.00	800.00	449,200.00

Account Process Outsourcing



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Do these financial documents leave you feeling like this sometimes? Every business owner encounters it- the stress of managing the accounts with the need to balance the other operations of the company. It can be tough, but Acumen has a solution. Our goal is to be a trusted resource, with the expertise and experience to assist you in the financial portion of your business. One way that Acumen provides this is in our Account Process Outsourcing (APO) Services.

APO provides accounting services for small businesses and closely held organizations in order to help them improve their performance and meet their reporting requirements. This allows Acumen to share our knowledge of proper accounting systems to ensure your business financials are accurate.

Some of the services provided in APO include:

- Initial Assessment of current bookkeeping methods
- Training of in-house accounting staff
- Month- or Quarter-End Close Accounting by Acumen staff (at your place of business or in our offices)
- Ratio Analysis
- Review of Internal Controls

Through these services, we provide consistency, peace of mind, experience and effectiveness to many of our clients. Acumen has developed the process and has the knowledge to be a resource to our clients who are looking for that consistent, accurate accounting system for your businesses success. Let us be a solution to your headache!

Tax Changes in 2013

Several tax law changes occurred in 2013 that could have an impact on your return this year. The following are important updates on those changes, deductions and credits:

Increase in Top Tax Rate

Beginning in 2013, a new top tax rate of 39.6 percent takes effect. This rate applies to taxable income in excess of \$450,000 (joint returns and surviving spouses), \$425,000 (heads of household), \$400,000 (unmarried other than head of household and surviving spouse), and \$225,000 (married filing separately).

Increased Tax Rate on Certain Capital Gains and Dividends

While the favorable tax rates in effect before 2013 for capital gains and dividend income were generally made permanent by the American Taxpayer Relief Act of 2012, a new 20-percent rate applies to amounts which would otherwise be taxed at the 39.6-percent rate. Thus, tax rates of 0, 15, and 20 percent apply to capital gain and dividend income, depending on your tax bracket. These rates apply for alternative minimum tax purposes also.

New Taxes Take Effect in 2013

There are a couple of new taxes that take effect in 2013: a 3.8

percent tax on net investment income above a threshold amount, and a .9 percent additional tax on wages and self-employment income above a threshold amount. For both taxes, the threshold amount is \$200,000 (\$250,000 if married filing jointly or \$125,000 for married filing separately). Income taken into consideration in calculating net investment income includes most rental income and net gain attributable to the disposition of property other than property held in a trade or business. Thus, this generally covers sales of interests in a partnership or S corporation.

Increased Threshold for Deducting Medical Expenses

Medical and dental expenses that exceed a certain percentage of your adjusted gross income (AGI) for the year are deductible. For years before 2013, that percentage was 7.5 percent. For 2013 and later years, the deduction floor is increased to 10 percent. However, for any tax year ending before January 1, 2017, the floor is 7.5 percent if you or your spouse has reached age 65 before the end of that year.

Reduction in Personal Exemptions and Itemized Deductions for High-Income Taxpayers

In addition, there is a reduction in personal exemptions and itemized deductions for taxpayers with adjusted gross income over \$250,000 (unmarried other than head of household and surviving spouse), \$300,000 (joint returns), \$275,000 (head of household), and \$150,000 (married filing separately), which will have the effect of increasing taxes on affected taxpayers. We need to consider whether these new taxes affect you and, if so, whether you have paid a sufficient amount of taxes through withholding and estimated tax payments so as to avoid any underpayment of estimated tax penalty.

Expiring Energy-Related Tax Credits

There are two expiring energy-related tax credits that may be worth looking at. One such credit is the residential energy credit, which is available only through the end of 2013. If you are contemplating energy improvements to your home, you may want to accelerate the improvements into 2013. The credit is 10 percent of the amounts paid or incurred for qualified energy efficiency improvements installed during the tax year and the amount of residential energy property expenditures paid or incurred during the tax year, up to a maximum credit of \$500.

Student Loan Interest Deduction

If you had any student loans during the year and your modified adjusted gross income (MAGI) is within certain limits, you may deduct up to \$2,500 of interest paid on that loan in computing adjusted gross income. For 2013, the deductible amount is phased out if your MAGI is between \$60,000 and \$75,000 (\$125,000 and \$155,000 if filing a joint return). You cannot take a student loan interest deduction if your MAGI is \$75,000 or more (\$155,000 or more if filing a joint return). The deduction is not available if your filing status is married filing separately.

American Opportunity Tax Credit

If you paid any qualified education expenses during the year, you may be eligible for the American Opportunity tax credit. The maximum credit amount is \$2,500 per year for each eligible student. The amount of the credit for each student is calculated as 100 percent of the first \$2,000 of qualified education expenses paid for the student and 25 percent of the next \$2,000 of such expenses paid. The credit may be reduced, however, depending on your modified adjusted gross income

(MAGI).

For 2013, MAGI between \$80,000 and \$90,000 (\$160,000 and \$180,000 for joint filers) is used to determine if there is any reduction. If your MAGI is in excess of \$80,000 (\$160,000 for joint filers), the amount of the credit is phased out by multiplying the otherwise allowable credit by a fraction, the numerator of which is the amount by which your MAGI exceeds \$80,000 (\$160,000 for joint filers), and the denominator of which is \$10,000 (\$20,000 for joint filers). No credit is allowed if your MAGI is \$90,000 or more (\$180,000 or more for joint filers).

Transfers to Roth Accounts

New in 2013 is an expansion of the option for a taxpayer with a 401(k) plan that includes a qualified Roth contribution program to transfer an amount from his or her regular (pretax) elective deferral account into a designated Roth account in the same plan. In 2012, this was allowed only for participants who were at least 59-1/2 years old. That age limitation does not apply in 2013 and, while the transfer is subject to regular income tax, no early distribution penalty applies. Subsequent distributions from the Roth account, assuming applicable requirements are met, will be tax free.

Qualified Principal Residence Debt Exclusion

Generally, you recognize income when debt is discharged. However, there is a special rule for the discharge of qualified principal residence debt (i.e., mortgage debt). The discharge of such debt is generally excludable from gross income for discharges through 2013.

Qualified principal residence debt is debt that is incurred to buy, build, or substantially improve your principal residence and that is secured by that residence. It also includes debt secured by your principal residence that is used to refinance qualified principal residence debt, but not in excess of the outstanding principal amount of the debt that is refinanced.

Please feel free to discuss any of these that may apply either in a meeting when you drop off your documents or by calling our office. We always strive to keep you informed about applicable tax matters!

At the Firm- Meet our Staff

Kendra joined Acumen in 2008 and has been overseeing the Tax Department for the firm ever since, beginning as Manager, becoming our Tax Partner last year.

She graduated from Oregon State University and provides over 20 years experience in tax, specifically focusing on compliance and tax strategies that minimize taxes paid and maximize tax positions. Prior to her time with Acumen, Kendra held positions with the Internal Revenue Service, which makes her perfectly positioned to effectively assist clients in their interactions with the IRS and provide expertise in the Tax Department for other staff.

Outside the office, Kendra enjoys time with her two children, her dog, Tucker, and at the Oregon Coast.

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