



## CLIENT NEWSLETTER

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# HAPPY NEW YEAR!!

### \$\$\$ FULLY FUND YOUR PLANS \$\$\$

If you are born in 1963 or earlier, and participate in IRA, 401(k), 403(b) or SIMPLE plans, you are entitled to make additional "catch up" contributions. The additional contribution is not limited to just one plan. If you have a 401(k) and an IRA, you may 'catch up' in both. For 2013, limits are as follows:

PLAN TYPE	MAX. CONT.	CATCH-UP
IRA	\$ 5,500	\$1,000
401(K)	17,500	5,500
403(B)	17,500	5,500
SIMPLE	12,000	2,500

### HIGHER FLORIDA MIN WAGE

Effective January 1, 2013, the Florida Minimum Wage increased to \$7.79/hr. This wage supercedes the current federal guideline of \$7.25/hr. Several states do not have a mandatory minimum wage, and therefore default to the federal standard. Some, like Minnesota, have \$6.15 as the legal minimum wage and so must up it to the federal limit. Washington state leads the nation with a \$9.19 minimum wage requirement.

For Florida, this is a \$0.12 increase per hour over the previous year and \$0.54 higher than the federal standard. Despite what appears to be a sizeable increase, the math does not support a real impact. A full time worker making Florida's minimum wage will make \$16,203.20 annually.

### CRISIS AVERTED (for 60 days)!!

Maybe all of the haggling was about the name, but *The American Taxpayer Relief Act* finally gained enough traction to get Congress and the administration on board. From the outset, the issues were raising revenue and cutting spending, with the draconian tax hikes and sequestration spelled out by a previous Congress in an attempt to draw a line in the sand that would force them to finally govern. No such luck; but the 'revenue' component got their attention. Without action the Bush era tax cuts would expire and taxes would increase for all.

#### Components include:

- Higher taxes on individuals earning \$400,000 and on families making \$450,000 and up.
- These same high income taxpayers will pay taxes on capital gains at a 20% rate.
- Itemized Deductions and Personal Exemption phase out for taxpayers earning more than \$250,000, or \$300,000 for married filing jointly.
- Permanent fix for Alternative Minimum Tax – now legislatively pegged to inflation.
- 40% Estate Tax, with first \$5 million exempt.
- One year extension on Unemployment insurance benefits.
- Nine month farm bill extension (maintains current milk prices).
- Tax breaks for working families: 5-year extensions on education, child tax and earned income.
- Business tax breaks, including Section 179 \$500,000 expensing deduction.
- One year "doc fix" delaying 27% Medicare cuts.

The previously approved congressional pay raise was frozen which is some measure of justice. However, the thorny sequestration issues (cuts) and debt ceiling wrangling won't be addressed until the end of February.

## IT'S AN "E.A." THING

Since 2006, the Florida Society of Enrolled Agents has affiliated itself with Teddy Bears for Kids, Inc. This is a 501(c)(3) charitable organization formed by Jerry Joyce, an EA in Tampa. The group collects stuffed teddy bears to distribute to children's groups, hospitals and rehab centers throughout the state. Many of my colleagues encourage their clients to bring any 'homeless' teddy bears with them to tax appointments, so that the toys can become friends to a child in need. At our annual FSEA convention in June, the bears are collected and distributed to participating groups.

For the last several years, I have been taking 100 or so bears to Family Resources for use with their families and children in crisis. While this is by no means an attempt to strong arm you for stuffed toys, any teddy bears you may know of that are not currently in a relationship could find new homes through this charitable group. Any contributions made are tax deductible (and those tax deductions were not axed in the cliff deal). We are happy to receive new or gently used toys, and cash collections are also accepted. There are no paid employees, no overhead, and this is the advertising: everything goes to out to eager recipients. If you have any suitable candidates around your home please send them along. Thanks!

## Where's My Refund?

For the past several years, I have relied heavily on the Internal Revenue Website feature that would answer that question for eager taxpayers. By typing in your name, social security number, filing status and the amount of money you were expecting, the IRS would give you a 'date certain' that you could expect the deposit to hit your bank account. Because of the ongoing fight against identity theft, the IRS will now only confirm that returns have been filed and accepted. They will also disclose that a refund has been issued after the fact.

## DATELINE: IRS

The Internal Revenue Service has reiterated its intention to improve audit procedures for small corporations. Using a study by the Treasury Inspector General for Tax Administration (TIGTA), the Service anticipates auditing about 2,500 returns with assets of \$250,000 or less. Although this was included in a December 2012, I have already wrapped up such an audit that *began* in March 2012.

Like cellphones, the IRS has indicated that tablet computing devices (e.g. iPads) will not be taxable to employees when provided by employers. These tablets would be primarily used for business reasons rather than as a form of compensation. Similarly, employer reimbursements for personally owned devices will not be subject to tax when used for business reasons.

As an enrolled agent, I am entitled to utilize e-services (and Practitioner Priority) to access IRS files for clients for whom I have a valid Power of Attorney. For the first time, these services are unavailable from Dec. 26, 2012 to Jan. 7, 2013 as the Service performs maintenance. It's like my right hand is tied!

## OFFICE NEWS

**IT'S TAX SEASON!!** My computer has already locked up and stopped recognizing .pdf files; I'd say things are right on schedule! As we get braced for this favorite time of year, please be aware that we will be out of the office as follows:

- **January 11:** Forms seminar
- **February 2-3:** After your payroll taxes are done, we'll take a breather!

Gentlemen, start your engines!

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