



CLIENT NEWSLETTER

Vol. 13 No. 3

July 2013

Why Your Best Employees Move On

A recent article in Forbes magazine details six reasons why some of your best employees look for greener pastures (NOT "green" in the sense of a higher salary). In no particular order:

- No Vision.

Employees are not empowered by a profit goal. They are energized by the vision of the future.

- No Connection to the Big Picture

Employee retention is linked to the idea that the job they perform is important.

- No Empathy

Listen to employees; a simple action that conveys they are important and valued.

- No (Effective) Motivation

Intrinsic motivators to do good work or create a successful product engage successful workers.

- No Future

No place to go or no way to get there.

- No Fun

Laughter in the office can be very restorative. Let your joy spread to workers and clients!

Repeal of DOMA

With a far-reaching impact, we here in Florida may think that we are exempt from concerns about what the repeal means to us. Our state constitution has defined marriage, so there is no ambiguity on that score. If the state doesn't recognize it, neither do the feds. However, medical benefits for military spouses are predicted to transcend the state position.

One impact that has become available with the repeal of DOMA is the ability of same sex couples to sponsor a foreign national spouse for immigration purposes. This option has not previously existed so it will open the door for families to be reunited.

Tax Overhaul

Tax committees are in full swing revamping the tax code to reduce tax rates/increase revenue. The guidelines that the partisan sides can agree on are reducing breaks so tax rates can be reduced and ensuring that the burden on low-income taxpayers won't rise.

When considering the largest tax breaks, only two of them are direct benefits to low-and middle income earners: the earned income credit and the child tax credit. Tax reform will be well-served if the eligibility and computation for the earned income credit can be streamlined. This is an area with many fraudulent claims ("Here, I have four dependents, but can only use three - you should claim my kid" scenarios) but 8 pages of instructions and 17 pages of table seems like a daunting undertaking. Two other breaks that help lower income earners are tax-free, employer paid health insurance coverage and partial taxation of Social Security benefits.

Turning attention to the tax provisions for the upper income group, the write-off for state and local taxes will be fair game. Mortgage interest deductions may be further curtailed or eliminated (at present, deductions are allowed for interest on purchase money mortgages of \$1,000,000 and home equity lines of credit of an additional \$100,000). Deductions for charitable contributions may be limited, too. Preferential tax rates for capital gains and qualified dividends may also become a thing of the past.

Last in the list of items targeted is a reduction in the contributions allowed to a retirement plan. As it stands, contributions are made on a tax deferred basis (although subject to FICA taxes) so taxes aren't paid now on the contribution, but are paid at the time of distribution from the plans - which will theoretically be at a lower rate. By reducing the amount that can be put in to the plan, future retirees will be funding much of their retirement with after-tax dollars resulting in no additional tax collections down the road. You can either collect the money now, or collect it later. We haven't gotten to the part where it's collected again and again (so far no attempts at double taxation).

The tax committee is charged to begin "with a blank slate," but I cannot see success in ignoring where we are starting from. Each taxpayer has a vested interest!

BP Oil Claim

Our office has assisted several clients with compiling information for determining eligibility for a BP Oil Claim from the funds set aside to provide money to businesses and individuals impacted by the oil spill in April 2010. As we don't serve any clients that are beach hotels or fishing boats, we have been surprised at the "trickle down" recognition of negative impact.

Claims are processed based on overall business health and location in the affected area. If you are a medical practitioner in an area that might see a few spring breakers, your business may have indeed been impacted if those breakers stayed home, or partied somewhere else. Perhaps you are an attorney who might provide legal counsel to people who live, work or play by the Gulf of Mexico, but those folks are failing to seek your services because of their reduced cash flow. Lots of ways for the spill to have somehow touched you or your business that would constitute a qualified claim.

There is an expiration date for initiating consideration for these claims of April 2014. If you think your business may be eligible, please let us know. You have likely heard from numerous law firms by now to handle your claim filing. Your choice is at your discretion for legal representation. We are here to help.

DATELINE: IRS

Back in the day of the "kinder, gentler" IRS, it was determined that taxpayers across the nation faced different levels of scrutiny or documentation requirements depending on which office handled the geographic location. At national conferences we would routinely be regaled with the hurdles and obstacles faced by practitioners in the NE, when we in Florida had a good working relationship with the Jacksonville or Miami office in charge of our area. On account of this disparity, the Taxpayer Advocate's office was established. This office reviews IRS procedures across the country and compares results with the legislation controlling it, finalizing this information in an annual report to congress. The Advocate also works on behalf of taxpayers who are stuck in the bureaucracy - required to work through one office, but the answer can only be obtained through another and all of the IRS agents involved continually get transferred - are able to access a representative through the Taxpayer Advocate's office that coordinates their case through the IRS monolith.

Now we find IRS has review issues with non-profit groups (not only tea-party groups found in audit, but apparently all groups faced the same scrutiny). As a result, the IRS issued a report outlining new actions and next steps to fix problems uncovered with the IRS' review of tax-exempt applications and improve the wider processes and operations in place. The report covers a wide range of areas Deputy Commissioner Werfel team examined during the past month. The report cites actions to hold management accountable and identifies immediate steps to help put the process for approving tax-exempt applications back on track. Werfel also outlines actions needed to protect and improve wider IRS operations, ranging from compliance areas to taxpayer service.

NEW COMPUTER ACCESS

There's nothing that screams summer (or not tax season) like messing around with our computer system. We are hoping to increase speed and eliminate (reduce?) the number of times my system locks up.

We will also be offering client portals, where you can access your information on my system. You pick your password and log on to my computer to look at or print your documents (tax returns, accounting work or electronically filed documents).

OFFICE NEWS

This quarter finds lots of activity but our quarterly meeting schedule will not be disrupted.

- July 4 - 5: Closed for the 4th of July
- Aug 13 - 20: Upstate NY
- Aug 26 - Aug 29: IRS Conference, MD
- September 2: Closed for Labor Day

Enjoy this monsoon summer season!

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