

The Consultant

Piermani & Bearoff, P.C., 2240 DeKalb Pike, Norristown, Pa 19401
(610)275-7544 Email: email@piermanibearoff.com

January 2014 Newsletter

TAX HIKES that will apply on the 2013 return into the foreseeable future “Kiplinger Tax Letter”

Start with the 3.8% Medicare surtax. It applies to unearned income of single filers with modified adjusted gross incomes above \$200,000 and of married filing jointly over \$250,000. Married filing separately get a \$125,000 threshold. Modified AGI(Adjusted Gross Income) is AGI plus any tax free foreign earned income. The surtax is levied on the smaller of the filer’s net investment income or the excess of modified AGI over the thresholds. Investment income includes interest, dividends, payments of substitute interest and dividends by brokers, capital gains, annuities, royalties and passive rental income.

Now turn to the 0.9% Medicare surtax on earned income(wages and income from self-employment). Singles will owe the levy once total earnings exceed \$200,000, married filing jointly over \$250,000, or married filing separately will be over \$125,000. So for earnings over the thresholds, the effective Medicare tax rate will be 3.8%...the usual 2.9% rate plus an extra 0.9%. The surtax applies only to the employee’s share of Medicare tax. Employers don’t owe it. Employers will withhold the surtax once an employee’s wages exceed \$200,000. Employees will then calculate the actual tax due on their 1040s. As stated in last year’s newsletter, married filing jointly couples who each make below the \$200,000 threshold, but expect their total wages to top \$250,000 in 2013 should have considered having more income tax withheld on their pay.

MEDICAL DEDUCTION THRESHOLD

For tax years beginning January 1, 2013, the Affordable Care Act increases the 7.5 percent threshold for itemizing medical expenses to 10 percent. Taxpayers (or their spouses) who are age 65 or older before the close of the tax year may continue to apply the 7.5 percent threshold for the tax years ending before 2017.

INCORPORATING

If you are currently in business, or thinking of starting up one, now is the time to possibly incorporate and start operating as a corporation starting in January of 2014. If you would like to find out the advantages, or if it makes sense for your business call and ask to speak with Mr. Piermani or Mr. Bearoff.

INVESTMENTS

Interest rates are still at an all time low and it makes it very difficult to earn any money on your investments. There are many safe stocks that pay a dividend. Many of the utility stocks and some of the oil stocks are paying a dividend that exceeds 5%. If you are interested in learning more about your options to receive dividends, call and ask to speak with Mr. Piermani.

MORTGAGES

All the economic indicators have shown that the real estate market has been improving. This is still the best time for someone to buy a new home or even an investment property with the prices and the interest rates still low. You may also be able to refinance your current mortgage to lower your payment or even go from a thirty year mortgage down to a fifteen. If you are interested in seeing about a refinance or a mortgage call and speak to Chuck Piermani 610-275-7544.

GROSS PROCEEDS

Your brokerage firm will give you a Gross Proceeds form at the end of the year if you have sold stock. All individual transactions now must be placed on the Schedule D of your tax return. We are no longer allowed to input totals. When you receive your year-end statement, contact your broker and ask them to export the "Realized Gain/Loss Report" into an excel format and then email it to our office. We are able to upload this report onto to our system allowing you to avoid an additional charge for the time to key punch all the individual transactions manually. If you or your brokerage firm have any questions about this process please call our office.

TAX APPOINTMENTS

It is our firm's policy not to allow children in the office at the time of tax consultations. These appointments involve a great deal of information which requires the tax preparers concentration while completing the necessary forms. If children are old enough, they may sit in the waiting area until the appointment is complete. However, we are not responsible for watching your child. We ask you to kindly **make the appropriate arrangements** to avoid this situation.

CANCELLATIONS

We have minimum time slots to accommodate a large client base and therefore it is very important that any appointments made during tax season are kept. We certainly recognize that situations arise and should you need to cancel and reschedule your appointment, we require a six hour notice or there will be a \$95.00 cancellation fee incurred. This policy is strictly enforced.

ELECTRONIC FILING FOR 2013

Our firm will handle the filing of both Federal, State and Philadelphia returns however; local tax returns **cannot** be filed electronically. These forms will still have to be signed and **mailed by you** on or before April 15th. These returns will be provided in the package with your copy or emailed to you when completed. Please note that no tax returns will be filed until

payment for our services is made in full, so keep this in mind and **make arrangements to pay at the time of your consultation.** We do have a credit/debit card machine if needed but a convenience fee is added to the charge.

CORPORATE RETURNS

If you keep your own records please submit your profit & loss and balance sheet in the cash basis no later than January 31st for us to do the corporate return. This includes LLC's, C-Corporations and Sub-Chapter S Corporations. Remember, the balance sheet should include all accounts in the corporation's name, such as checking, savings, money markets, all lines of credit and credit card balances. If you do not have a computer program that can print these financials, contact our office and we can send you forms to fill in. You **cannot** file your personal return until your corporate return is filed.

PHILADELPHIA AND BUSINESS PRIVILEGE RETURNS

We prepare your Federal, State and Local Tax Returns. If you are operating a business out of or have a rental property located in Philadelphia or a municipality that has a Business Privilege Tax, it is your responsibility to pay a Business Privilege License fee and file a Business Privilege Return each year. Our firm is equipped to handle the preparation of these returns for you in compliance with the tax codes. If you need help filling out these forms, we can prepare them for a small fee. If we prepared it for you last year we will automatically prepare it again for 2013.

BUSINESS IN OTHER STATES

If you are operating a business in another state, you are required to register in that state and will have to file a tax return as an individual, partnership or corporation. Computerization is now allowing states to track down those of you who have not registered. States will assess high penalty and interest on the taxes due. If you fall into this category, we can help you with the registration process.

In addition, if you have a rental property in another state, you will also need to file a non-resident tax return. We also are equipped to prepare these returns as well.

Keep in mind you are taxed on your total profit in your home state location. You will also receive credit against this tax for any taxes paid to another state for the work completed in them.

MAIL RETURNS

If you normally drop off or mail your return information to us, please contact the office and request a Tax Organizer before sending your information. After receiving the completed organizer and your information, you will be contacted and asked a list of questions before we finalize the return.

If you have moved out of our area or even to another state we still are able to complete your return using this service. Please call to see about arrangements.

FILING DEADLINES

- January 31, 2014 due to the Government shut down the IRS is not processing individual returns till this time
- January 31, 2014 W-2 & 1099 forms need to be mailed out to employees. Any businesses having these requirements that we do not do bookkeeping or payroll for already please provide us the information needed in a reasonable period of time to get the forms filled out and back to you
- February 28, 2014 Deadline to file the 1099 forms with the IRS. There can be strict penalties assessed if late
- March 17, 2014 Deadline to file Corporation tax return such as a C Corporation "Form 1120", S Corporation return "Form 1120S" or an LLC return that has an election to file either a "form 1120 or a 1120S" Also last day to file an extension to file for the above returns
- April 15, 2014 Deadline to file Individual "Form 1040" or Partnership returns "Form 1165". Last day to contribute to an IRA, HSA, SEP-IRA or Solo 401K plan. Also, last day to file an extension for the above returns. Final day to file an amended return for 2010 returns.
- September 15, 2014 Forms 1120 & 1120S that are on extension need to be filed by this time there are no additional extensions
- October 15, 2014 Forms 1040 & 1065 that are on extension need to be filed by this

***We at Piermani & Bearoff, P. C., & Charles J. Piermani Associates
would like to extend our wishes to you for a Happy New Year!!***