

Tax & Financial Guide

Business and Personal ACCOUNTING, TAX,
SOFTWARE & FINANCIAL PLANNING SERVICES

Tax Return Deadlines Looming

Business tax returns are due September 17, 2012. This includes calendar year C corporations, S corporations, partnerships, estates, and trusts. Make sure you have these returns filed on time to avoid penalties and interest.

Personal tax returns are due October 15, 2012. There are no second extensions or any reason to be allowed to file after that date.

Make sure your tax return will be filed by then and if anyone you know hasn't taken care of their return, you could have them contact my office.

COBRA Health Coverage

The IRS is looking for violations of the COBRA health coverage rules. Firms with at least 20 employees must offer departing workers the option of buying medical coverage for at least 18 months.

Departing employees must be notified of eligibility for COBRA coverage and the correct premiums. The employer penalty for noncompliance is \$100 a day per qualified employee.

If you recently lost your job and have not been given information pertaining to COBRA coverage, the employer is noncompliant. Contact them about getting medical insurance.

Plan Ahead To Avoid Tax Penalties

If you are concerned that you may owe taxes when you file your 2012 tax return, it is beneficial to have us review your income and deductions before year-end. A nice time to do this is the last two weeks of October.

You will still have time to either change your withholding before year-end or send in an estimate payment for the fourth quarter. Call our office with your income and

deduction information if you would like us to do an estimate for you.

It sure is better than owing money with your tax return. If you don't have enough withholding to cover last year's liability, the taxing authorities can charge you penalties for not having enough withholding during the year.

There is no reason you should pay more money than required.

Safelink Benefits

If you know someone who qualifies for food stamps or Medicaid or is low income, a program called Safelink could help them. Go to www.safelinkwireless.com and check it out. People who qualify can get a free cell phone with 250 minutes each month.

For someone who lives alone, is elderly, can't afford a land line or travels alone at night, a cell phone could be invaluable in an emergency. It can greatly improve safety, independence and access to help when needed. If you know anyone who might qualify, let them know.

Family Gifts

Many people are confused when they wish to make a gift to family members. There is an annual limitation, presently \$13,000 per year. There also is a lifetime limitation, currently \$1,000,000. If you choose to give your child or grandchild a large amount, you are limited not by the annual limitation but

by the lifetime limitation if your gift is over the annual limitation.

You can gift them \$50,000 or \$100,000 or some other large amount as long as you don't go over the lifetime limitation. When you make these gifts you are required to file a gift tax return. Even though you may not owe any taxes, the return must still be filed.

Third quarter tax estimates are due September 17, 2012. If you want us to prepare them for you, please get your income, deductions and withholding amounts in our office by September 12, 2012.

Please call our office to discuss any of the items in this newsletter that may pertain to you.



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*If you misplace your
newsletters, or your
information sheets
that I have given you
(i.e. contributions,
enrolled agents, etc.),
you will be able to
find them on the
web site.*

*Please note that our
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PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information only to IRS or state authorities and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

HSA Savings

The annual limitation for employee flex spending is being reduced to \$2,500. For those with flex benefits, make sure you maximize them.

If your employer has an HSA plan, take advantage of this program. Most taxpayers do not spend enough in medical costs to total over 7.5% of their income. If your medical expenses are under 7.5%, or if you don't itemize, all the money you pay for medical bills is not deductible and you pay them with after tax dollars. This means you pay taxes on your earnings and then you pay medical expenses.

If you have a flex spending account or an HSA account, you pay your medical expenses with money you never paid taxes on, a double

Roth Conversions

If you convert money in your IRA into a Roth IRA during 2012, you have until October 15, 2013 to decide if you want to leave it converted or recharacterize it back to the IRA. If you convert separate IRAs individually, you can choose to recharacterize each of them individually if any of them lost money since the conversion.

If you convert your IRAs as

savings. If you have an HSA account, you can contribute to the account and then pay medical bills. You can take a deduction for the contribution on your tax return allowing you to deduct the medical expense without being over the 7.5% or itemizing.

There are certain limitations for HSA contributions and you need to have a high deductible health insurance plan. Because of the high cost of health insurance, many individuals and many employers have high deductibles because it is the only way people can afford health insurance. If you have questions please call us.

Every year we have clients who could have saved money but didn't because they didn't understand how HSA accounts work.

one lump sum, you will have to recharacterize them as one lump sum. The advantage of converting each IRA individually is you have the option of recharacterizing those that have lost money back to the IRA and leaving those that have gained money in the Roth IRAs. You don't need to convert all of them back to an IRA if only one is losing money.

Don't Pay Excess Business Taxes

If you know anyone buying, selling or starting a business, advise them to call our office. We can make sure all the requirements are taken care of and proper paperwork is filed.

It is so much easier to start on the right foot rather than pay excess taxes, penalties, and interest due to a lack of proper planning. There are so many things to know in these circumstances and we can help alleviate your stress.

Incorrect Taxes?

Beware of letters from the IRS or State taxing authority claiming you owe money. I have seen many that are not correct. You may have recorded the income on your tax return on a line that the IRS did not look at. They may be billing you additional tax for income on the wrong line.

The IRS also bills people for taxes on the gross sales of stocks, bonds, and other investments. Since they don't have the cost basis, they overstate the taxes you owe. When you get a letter from the taxing authority, contact us so we can review it and make sure the information is correct.



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