

SMALL BUSINESS GROUP

1804 University Blvd. West
Jacksonville, FL 32217
(904) 731-2221 Office
(904) 731-5544 Fax
www.smallbg.com

CONTACT



JUNE 2013

Vol. XXXVII NO. 6



6/17

- Payroll tax deposit due if liability is over \$2500
- 2nd installment of 2013 estimated tax due

6/20

- Sales tax reports due

7/4

- Office is Closed for Independence Day



OFFICE HOURS:

Monday - Thursday
8 am to 5 pm

CLOSED FRIDAYS
(May through December)

Important Dates!

Semi-Weekly 941 Deposit Due Dates

Payroll Check Date:	Deposit is Due on:
May 29-31	Jun 5
Jun 1-4	Jun 7
Jun 5-7	Jun 12
Jun 8-11	Jun 14
Jun 12-14	Jun 19
Jun 15-18	Jun 21
Jun 19-21	Jun 26
Jun 22-25	Jun 28
Jun 26-28	Jul 3
Jun 29-30	Jul 8



IRS POSTS 9 TIPS FOR CHARITABLE DEDUCTIONS



The IRS has long been suspicious of inflated deductions for charitable gifts. Now it's giving fair warning to taxpayers.

Alert: Observe the strict letter of the law for substantiating charitable donations. The IRS recently posted a reminder on its website featuring nine tax deduction tips. (*IRS Tip 2013-45, 4/1/13*)

1. To qualify for a deduction, you must make the donation to a qualified charitable organization. You can't deduct contributions you make to an individual, a political organization or a political candidate.

2. A taxpayer must file Form 1040 and itemize deductions on Schedule A. If the total deduction for all noncash contributions for the year is more than \$500, you must also file Form 8283, *Noncash Charitable Contributions*, with your tax return.

3. If you receive a benefit of some kind in return for your contribution, you can only deduct the amount that exceeds the fair market value of the benefit you received. A few examples are merchandise, tickets to an event or other goods and services.

4. Donations of stock or other noncash property are usually valued at fair market value. Used clothing and household items generally must be in good condition to be deductible. Special rules apply to vehicle donations.

5. Fair market value is generally the price at which someone can sell the property.

6. You must have a written record about your donation in order to deduct any cash gift, regardless of the amount. Cash contributions include those made by check or other monetary methods. That written record can be a written statement from the organization, a bank record or a payroll deduction record that substantiates your donation. That documentation should include the name of the organiza-

tion, the date and amount of the contribution. A telephone bill meets this requirement for donations by text if it shows this same information.

7. To claim a deduction for gifts of cash or property worth \$250 or more, you must obtain a written statement from the qualified organization showing the amount of the cash or a description of any property given. It must also state whether the organization provided any goods or services in exchange for the gift (*see No. 3*).

8. You may use the same document to meet the requirement for a written statement for cash gifts and the requirement for a written acknowledgment for contributions of \$250 or more.

9. If a taxpayer donates one item or a group of similar items that are valued at more than \$5,000, Section B of Form 8283 must be completed.

Tip: For gifts valued above \$5,000, obtain an appraisal from a qualified professional.

Small Business Tax Strategies — June 2013

IRS will be Closed for Business

Don't be surprised if you can't get through to the IRS the next time you need its services. Due to the sequester and other budgetary restraints necessitating furloughs of its staffers, the IRS recently announced it will be closed on May 24, June 14, July 5, July 22 and Aug 30. According to former Action IRS Commissioner Steven Miller, two additional days off in August and September may be required. Currently, the plan is for all 90,000 IRS employees to be furloughed on the five days already designated by Miller. As a result of this move, the IRS will have to completely close down public operations, including access to taxpayer assistance centers and its toll-free phone lines.

Small Business Tax Strategies — June 2013



DO LITTLE THINGS TO AVOID THE BIG TAX

If you own a C corporation, you're effectively taxed twice — once when the company earns taxable income and again when those earnings are paid to you as dividends. To avoid this double tax whammy, you might want to switch to the S corporation form of ownership.

Strategy: Watch out for the “built-in gains” (BIG) tax. This little noticed tax can blindside someone converting from a C Corp to an S-Corp. However, with some careful planning, you can minimize the impact of the BIG tax.

Here's the whole story: Currently, a corporation may owe income tax at a 35% rate on a net recognized built-in gain occurring within 10 years following a conversion to S-Corp status. For example, if you convert your C Corp to an S-Corp on July 1, 2013, the tax applies to gains realized through June 30, 2023. (For purposes of computing the BIG tax, a five-year recognition period is extended through 2013 by ATRA. Thus, if a corporation converted to S-Corp status in 2007, in 2013 it can sell assets acquired before 2007 without paying the tax.)

The amount of the tax is based on the difference between the fair market value of property sold or otherwise disposed of and the basis of the property at the time of the conversion.

The net recognized built-in gain for the tax year doesn't exceed the net unrealized built-in gain for prior years in the recognition period (to the extent such gains were subject to tax). The BIG tax is computed by applying the highest corporate tax rate (35% in 2013) to the S-Corp's built-in gain for the year. “Net recognized built-in gain” is defined as the lesser of (1) the amount that would constitute taxable income of the S-Corp if only recognized built-in gains and losses were taken into account, or (2) the S-Corp's taxable income.

Also, note that an S-Corp using cash accounting may have to pay the BIG tax on part of its uncollected accounts receivables. But the situation may not be as dire as it appears.

Here are three possibilities.

1. Any net operating loss (NOL) carry forward in a year in which the corporation was a C Corp may be deducted against the net recognized built-in gain of the S corp.
2. Your firm may use capital losses carried forward from prior years to offset the BIG tax.
3. Excess business credits carried over from prior years may reduce the tax liability on built-in gains.

Tip: Consider all the implications, including the BIG tax, in a switch to S-Corp status and consult your tax advisor before pulling the trigger.

GROW our Business

HELP US

Do you KNOW an Entrepreneur?

Refer them to Small Business Group & they will receive a one-on-one consultation... FREE!

If they sign up with SBG, YOU could receive a credit on next year's client engagement.

Contact SBG at 731-2221



Save Those Receipts

One of the most important things a business owner can do is to keep good records throughout the year. If the IRS examines your tax return, any expense you failed to document could be disallowed.

Be sure to keep all receipts to verify exactly what was purchased and when. Keep credit card receipts, credit card statements and bank statements (along with cancelled checks) to verify that the money was actually spent. Designate a spot in your office specifically for expenses and go through them periodically. You can group similar expenses together and total them. Good recordkeeping will give you a better idea of the types of expenses you are incurring and what your bottom line will be. An added benefit is that, when it comes time to file your tax return, you'll be more prepared.

QuickBooks Corner: Protect yourself from fraud

As a business owner, it is important for you to keep an eye on your checking account to be sure an employee is not misappropriating funds. How can you do this? Periodically, obtain check copies from your bank and match them to your QuickBooks bank reconciliation report to make sure the payee in QB is the same as the one written on the check itself. Most banks will give you the option of receiving check images with your statements. If you would like more information on how you can protect yourself from fraud, contact SBG at 731-2221 or sbg@smallbg.com.

Do a home inventory



Take photos of your home or, even better, make a video showing the contents. Describe the items, their acquisition dates and their costs or approximate values. Then store it in a safe-deposit box. This is the best proof you can have if the property is ever damaged by a natural disaster. Casualty loss deductions are limited to the damage sustained, minus insurance reimbursements, in excess of 10% of your AGI (after subtracting \$100 per event).