SMALL BUSINESS CONTACT

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JANUARY 2014 **Vol. XXXVIII NO. 1**

Calendar

1/1
Office Closed for New Years

1/15
Payroll tax deposit due if liability is over $2500

4th Qtr Estimated tax - 1040ES

Corporation Income Tax Return - 1120 for year end 10/31/13

1/22
Sales tax reports due

1/31
Payroll Tax Returns 941, 940 and RT6 due. W2's & 1099's due to employees and subcontractors

Effective 1/1/14

FL Minimum Wage increases to $7.93/hr

FL tipped employee minimum wage increases to $4.91/hr

OFFICE HOURS:

Monday - Friday
8 am to 5 pm
(January thru April)

Semi-Weekly 941 Deposit Due Dates

Payroll Check Date:	Deposit is Due on:
Jan 1-3	Jan 8
Jan 4-7	Jan 10
Jan 8-10	Jan 15
Jan 11-14	Jan 17
Jan 15-17	Jan 23
Jan 18-21	Jan 24
Jan 22-24	Jan 29
Jan 25-28	Jan 31
Jan 29-31	Feb 5

NEW USE-IT-OR-LOSE-IT FSA OPTION

On Halloween, the IRS announced that employers are able to modify the long-standing use-it-or-lose-it rule bedeviling flexible spending accounts (FSAs) used for health care expenses. *(IRS Notice 2013-71, 10/31/13)* The onerous rule requires employees to forfeit FSA funds if they don't use those amounts by the end of the plan year.

Strategy: Don't wait until 2014 to implement changes for your business. The new Notice is effective immediately, so you may offer this option to employees for the 2013 plan year. Under the new guidance, employees can carry over up to $500 in unused funds to the next plan year.

Here's the whole story: An estimated 14 million families participate in health care FSAs. Frequently, FSAs are offered in conjunction with other employer-provided benefits as part of a cafeteria plan. They are commonly funded by employees through voluntary salary reduction contributions.

FSA contributions, which are limited to $2,500 beginning in 2013, aren't subject to either federal income tax or payroll taxes. So it's a win-win situation for employees and employers.

For nearly 30 years, employees have been haunted by the use-it-or-lose-it rule, although most forfeitures are less than $500. The IRS recently loosened up things slightly by enabling employers to offer a 2½-month grace period at the end of the year. For instance, an employee may have until March 15, 2014, to empty out funds set aside in 2013.

Thanks to the new ruling, employers may now allow plan participants to carry over up to $500 of their unused health FSA balance at the end of a plan year. Employees will be able to use carryover funds to reimburse qualified medical expenses incurred during the following year.

The rule for the 2½-month grace period rule also remains in place, but there's a catch: You can't combine it with the carryover provision. In other words, you have to choose one or the other.

Tip: Employers aren't required to use either the grace period or the carryover rule.

Small Business Tax Strategies — December 2013

Tax Appointments

Tax interviews will begin the first week of February. You will be receiving a 2013 Client Organizer by the end of January to help in the preparation of your tax return. **Completing the Organizer will facilitate the accurate preparation of your tax return.** If any of the information does not apply to you, just draw a line through it. Make any necessary corrections.

Sending SBG your completed Organizer a week before your appointment will give us the ability to have your tax refund or liability calculated during the interview.

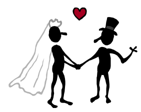
Our mission is to speed up processing and get the finished return into your hands faster. If you do not send your Organizer in advance, **please bring it with you** for the interview.

Contact Charia or Kewanna NOW at 731-2221 to schedule your tax interview appointment.

Easy to Access Forms

Do you need a copy of the new W-4 for 2014? What about a copy of the most recent W-9? For copies of the new forms for 2014, please visit our website at www.smallbg.com and click on the Forms page. You can download a copy of the new W-4, I-9 and W-9 — among other forms. We will try to keep all of the pertinent forms you might need on our website so they will be always be convenient for you to retrieve. If you don't see the form your need, contact Kewanna at 731-2221 or by email to kgroman@smallbg.com.

Learn Boundaries for NonCitizen Spouse



Due to the relatively generous estate and gift tax provisions included in the American Taxpayer Relief Act (ATRA), estate planning is easier than it was before. However, it can still be tricky, especially if your spouse isn't a U.S. citizen.

Strategy: Use some ingenuity. For instance, you might use a special trust to shift income to your noncitizen spouse. Alternatively, you might rely on other tax law provisions to minimize the potential damage.

Here's the whole story: The two main estate tax breaks for married couples are the unlimited marital deduction and the federal estate exemption. As the name implies, there is no estate or gift tax due on any transfer between eligible spouses. Under ATRA, the estate tax exemption can effectively shelter transfers of up to $5 million (indexed to $5.25 million for 2013 and $5.34 million for 2014) to non-spouse beneficiaries. The same tax shelter is available for lifetime transfers, but such gifts reduce the available estate tax shelter. However, if your spouse is not a U.S. citizen, the unlimited marital deduction privilege doesn't apply. Instead, you must use the estate tax exemption ($5.25 million for 2013 and $5.34 million for 2014) to cover assets transferred to your noncitizen spouse at death. Furthermore, the lifetime gift tax exemption for gifts to a noncitizen spouse is limited to $143,000 for 2013 and $145,000 for 2014.

To avoid dire results, you might establish a QDOT (qualified domestic trust) and name your spouse as beneficiary of the trust. As a result, your spouse can receive income free of estate tax. At least one trustee of the QDOT must be a U.S. citizen or a domestic corporation.

Caveat: Any principal withdrawn from a QDOT by your noncitizen spouse is taxed as if it were removed from your taxable estate. This can push your estate into a higher tax bracket. Also, there are certain limitations on investments made by QDOTs. Therefore, you may decide to shift more assets into the name of the noncitizen spouse, subject to the limit for the lifetime gift tax exemption.

Another possibility is to have your spouse become a U.S. citizen if he or she is inclined to do so. A QDOT may be structured so that it ceases to be effective when your spouse formally obtains citizenship.

Tip: If you are the noncitizen spouse, you can petition a court to set up a QDOT if your spouse predeceases you.

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

Recordkeeping Rules:

Whether you are a pack rat or a determined dumper, the Internal Revenue Service does not care. At audit time, everyone is held to the same standards. As a rule of thumb, keep financial records and books as long as the information may be "material in the administration of the income tax laws." This means keeping them for as long as there's a chance you could file an amended return or the IRS could audit the return. Because it is difficult to know what to save and what to pitch, below is a quick guide. Cut it out and keep it with your documents. For more information, contact SBG at 731-2221.

Type of Record	Retention Period
Copies of tax returns as filed	Forever
Tax and legal correspondence	Forever
Audit reports	Forever
General ledger and journals	Forever
Financial Statements	Forever
Contracts and leases	Forever
Real Estate records	Forever
Corporate minutes & stock records	Forever
Bank Statements & deposit slips	7 years
Sales Records and journal	7 years
Employee expense reports	7 years
Personal investment records	7 years
Canceled checks	7 years
Paid vendor invoices	7 years
Employee payroll expense records	7 years
Inventory reports	7 years*
Depreciation schedules	Permanent
Other capital assets records	Permanent
IRA records	Permanent
Stocks, Bonds & Investments	Permanent

** Forever if you use the last in, first out (LIFO) method.*

The IRS will charge a fee for late or unfiled 1099's so be sure to get your information to us as soon as possible to avoid any penalties.

Also, the name and taxpayer identification number on the 1099 **must** match what is on file with the Social Security Administration. The IRS will issue penalties of $100 per incorrect 1099. It is advised that you obtain a completed W-9 form for each vendor who will be receiving a 1099 to ensure you have the correct information to avoid any penalties.