

Accu-Facts

What I learned at the seminar

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Business Clients Heads UP

There is a huge change to how things will be depreciated from here on in --- Most everything I can handle on the tax returns as it comes up but there is an ELECTION you MUST make before the end of the year. I know you usually have your Board of Directors meetings at the beginning of each year but you must have one NOW and make this election before the end of the year. So pay attention! This goes for Non-corporations too! Your election will take the form of Minutes to your Organization. See your Corp Book for the format.(If you are uncertain asto the format these minutes must take please go to our web site: AccuTaxInc.net and download a template that might help.)

This change to the Tax Law comes about because IRS has lost EVERY court case it brought when the issue was taking the expense up front for "repairs" versus capitalizing over 39 year. They couldn't win so they changed the rules. I'm working on getting a letter to our Congressmen to try to fight this but that's for next week.

The only part of the huge change that needs addressing by you now is an election to expense off any asset less than \$500.

When instructing a client on how to account for their expenses, I have always given you a \$500 threshold on purchases. A printer costing \$498 is expensed as a Small Tool while a computer for 2,000 is capitalized. That would decrease to \$200 unless you make this election.

The difference between expensing and capitalization is an immediate deduction to lower tax bills rather than spread the depreciation over 5,7,15 or 39 years.

BTW: This election must be made **ANNUALLY**

So, from here on out each of your Board of Directors annual meetings should include this election.

All business without Financial Statements that are sent to the SEC, IRS, State Gov't or have certified audited financial statements - which is ALL my clients... must make this elections

The motion should read something like:

Materials, Spare Parts and Repairs

It will be the policy of XXX to capitalize assets that cost \$501 or more each. This will lower the burden of record keeping and cost of maintaining depreciation schedules. All capitalized assets will be depreciated in accordance with the business' depreciation policy according to tax rules and regulations. Assets that cost less than \$501 individually or have a life expectancy of 12 mos or less will be expensed in the period purchased. -- Good Luck !

REMINDER TO SELF EMPLOYED

Self Employed people get lazy when it comes to TRAVEL EXPENSES. Yes, you may take the standard Meal Allowance but NO you may not take the standard lodging allowance. All lodging must be actual receipts.

Gift Limit Raised

For decades the amount an American could gift to another American was

\$10,000 without any tax consequence due on the recipient's part. That limit has been creeping up and for 2013 the limit is now \$14K

Let's be clear here - the gifter DOES NOT get a tax break for giving this money away. This is NOT a charitable gift. This is you giving your granddaughter a car for graduation. Your son a down payment on his house. Remember, you can gift son \$14K and daughter-in-law \$14K in the same year. If you are married then, each parent can make the gift to each child, therefore, you now have transferred \$56,000 to the next generation tax free to the recipient.

Foreign Assets

Here I go again... once again IRS is making my industry their policeman. If I do not have a disclosure in your file that you do NOT have access to a foreign acct, I am subject to a huge penalty. Not to mention the penalty they'd hand you of \$100K or 50% of the value whichever is greater if you're caught..

In your organizers I'll include the disclosure form and also add it to the web site. Please complete it and bring it with you to the appointment.

Remember :

- * That the American Merrill Lynch account that holds Asia-Pac stocks is NOT foreign BUT the Merrill Lynch account you started when stationed in Germany IS FOREIGN.
- * Do you hold stock personally instead of within a broker's acct?
 - * Sears moved to Canada
 - * Glaxo is a UK company
- * Did you inherit Papou's house in Greece?

Even though it's not part of the tax return I am being held responsible for your compliance.