

It's not what you look at, it's what you see.

- Henry David Thoreau

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EXPIRING TAX PROVISIONS:

- **Sales Tax Deduction** OR State Income Tax Deductions:
 1. If you itemize - compare the State income taxes paid during 2013 with the allowable sales tax.
 2. Write off the greater of the two.
 3. Expires for 2014 and forward
- **\$250.00 Educator Deduction** adjustment for out of pocket classroom materials expires December 31, 2013. Can still be taken as a charitable contribution or an employee business expense.
- **Deducting Mortgage Insurance** premiums as Qualified Mortgage Interest on Schedule A due to expire December 31, 2013.
- **Qualified Principal Residence COD (Form 1099-C)** exclusion expires on December 31, 2013. Insolvency exclusion still in place. Plus...not all states recognize the federal exclusion.
- **Accelerated Deductions** for business asset acquisitions no longer part of the business depreciation schedule. Back to old rules for Section 179 deductions.

NEW RULES TO REMEMBER:

- o **Medical Expenses** - Now must exceed **10%** of your adjusted gross income - up from 7.5%.
- o **Phase Outs** for Personal Exemptions and Itemized Deduction limits are back for higher income taxpayers.
- o **Repairs or Improvements?** Strict capitalization rules in place for what would otherwise seem a repair. Check with your tax advisor for clarifications.
- o **Home Office** deduction can either be actual costs...or simple \$5.00 per square foot to a maximum of 300 sq ft.
- o **States Chase More Taxes...**in mysterious ways. Effective January 1, 2014, California is developing a new reporting rule for 1031 Exchange properties that leave the state. The state wants to know if you sell the exchange and recognize gain proceeds...they want their share.

SCOUR THOSE CREDIT CARD STATEMENTS

- o If you pay to your charities or pay a tax deductible bill with credit cards in December...the deduction can be taken in the year the credit card was used - even if you don't pay the bill until later the following year.

FAQ's Corner:

Well...another tax season is just around the corner. Many of our friends and clients have questions BEFORE they sit down in our conference room.

Question: When should I get my W-2 and 1099 reports?

- ✓ The issuer's deadline (your employer, etc....) is January 31st. All reports should be mailed out to you no later than January 31, 2014.

Question: What is the best way to organize my tax documents?

- ✓ We send out "Green sheets" in early January. These have last year's information that may help you organize your documents. Otherwise: All income reports together. All expense records together. Business owners - computer file backups and print outs should be submitted.

Question: What if my Gain/Loss records for my stock and investment portfolio don't match my 1099's?

- ✓ A few common differences: Security sales report 1099 on Trade date...statement of gains/losses report on cash receipt date. Options and puts/calls are not reported at all while the gain/loss report may (or may not) have information. Treasury Notes report 1099 prior to maturity with gains/losses reported to the taxpayer only. Proper reporting can be a tangle. Be sure to contact your tax advisor for assistance.

Question: My church is not listed as a Charitable Organization with the IRS. Can I still deduct my tithing contributions?

- ✓ According to the IRS, religious groups and educational organizations can receive deductible donations EVEN IF THEY ARE NOT LISTED in the IRS's qualified Charitable Organizations.

Question: What was the greatest thoroughbred match of the 20th century?

- ✓ On November 1, 1938, Triple Crown winner and reigning Horse of the Year - War Admiral - met "rags-to-riches" people's horse, Seabiscuit, at the Pimlico Race Course in Baltimore, Maryland. What a dandy outcome!

Remember: Taxes don't have to be a surprise.