

*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.**