

SMALL BUSINESS GROUP

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

CONTACT



MAY 2013

Vol. XXXVII NO. 5



5/15

- Payroll tax deposit due if liability is over \$2500

5/20

- Sales tax reports due

5/27

- Office will be closed for Memorial Day



Office Hours:

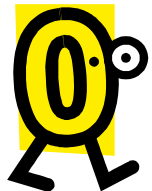
8 am to 5 pm
Monday - Thursday

Closed on Fridays
(until January)

Important Dates!

Semi-Weekly 941 Deposit Due Dates

Payroll Check Date:	Deposit is Due on:
May 1-3	May 8
May 4-7	May 10
May 8-10	May 15
May 11-14	May 17
May 15-17	May 22
May 18-21	May 24
May 22-24	May 30
May 25-28	May 31
May 29-31	Jun 5



PAY ZERO TAX ON CAPITAL GAINS IN 2013

That's not a misprint. You can qualify for a 0% tax rate on some or all of your long-term capital gains realized in 2013. This unique tax break, recently extended by the American Taxpayer Relief Act (ATRA), isn't necessarily off-limits to taxpayers who are doing OK financially.

Strategy: Figure out how much capital gain you might fit under the threshold. The 0% rate applies to taxpayers who end up in the 10% or 15% regular income tax brackets.

For instance, you may qualify for preferential tax treatment if your business incurs a loss this year or you defer a substantial amount of income to future years. Alternatively, you might shift some of your capital gain assets to your children or grandchildren who are eligible for the 0% tax rate.

Here's the whole story: As part of the "Bush tax cuts," the maximum tax rate on net long-term gain was lowered from 20% to 15%, beginning in 2003. For taxpayers in the two lowest tax brackets, the rate was reduced to 5%. Subsequent extensions and modifications cut the rate for these taxpayers to a rock-bottom 0% through 2012.

Now ATRA has permanently extended the 0% tax rate for long-term capital gains. The 15% rate was also extended, but single filers with taxable income above \$400,000 and joint filers above \$450,000 face a maximum 20% rate for 2013 and thereafter.

It's strictly a numbers game for the current year. If, for whatever reason, your income drops below the cutoff point, you can benefit from the 0% rate. For 2013, the threshold is \$36,250 for single filers and \$72,500 for joint filers (*see chart*).

Example: Suppose you're self-employed, a joint filer and normally in the 33% bracket. However, due to unusual circumstances, you expect your self-employment income in 2013 to be only \$50,000.

Plus, you figure you'll be able to cut your taxable income to \$20,000 through itemized deductions such as mortgage interest, property taxes and gifts to charity.

This gives you plenty of tax room to maneuver on sales of securities or other assets. For instance, assume you sell appreciated stock you've owned for 10 years at a \$50,000 gain. Because your total taxable income of \$70,000 (\$20,000 + \$50,000) is still below the cutoff of \$72,500, the entire long-term gain is effectively tax-free!

Note that it doesn't have to be an all-or nothing proposition. For instance, say that your taxable income before counting capital gains is \$52,500 instead of \$20,000. In that case, \$20,000 of the gain from the sale of stock (\$72,500—\$52,500) qualifies for the 0% rate. The remaining \$30,000 of gain is taxed at the 15% rate, for a total tax of \$4,500—still a pretty good deal.

If you have absolutely no shot at the 0% rate this year, you might shift appreciated capital gain assets like stocks and mutual fund shares to low-taxed family members. The transfers can be sheltered from gift tax by the annual gift tax exclusion of up to \$14,000 per recipient (\$28,000 for joint gifts made by a married couple). Any excess is covered by your annual lifetime gift tax exemption (\$5.25 million in 2013).

Continued on Page 2



PREPARE FOR HURRICANES BY SAFEGUARDING TAX RECORDS

With hurricane season almost underway, the Internal Revenue Service encourages individuals and businesses to safeguard themselves by taking a few simple steps.

Create a Backup Set of Records Electronically

Taxpayers should keep a set of backup records in a safe place. The backup should be stored away from the original set. Keeping a backup set of records — including, for example, bank statements, tax returns, insurance policies, etc. — is easier now that many financial institutions provide statements and documents electronically, and much financial information is available on the Internet. Even if the original records are provided only on paper, they can be scanned into an electronic format. With documents in electronic form, taxpayers can download them to a backup storage device, like an external hard drive, or burn them to a CD or DVD.

Document Valuables

Another step a taxpayer can take to prepare for disaster is to photograph or videotape the contents of his or her home, especially items of higher value. The IRS has a disaster loss workbook, [Publication 584](#), which can help taxpayers compile a room-by-room list of belongings. A photographic record can help an individual prove the market value of items for insurance and casualty loss claims. Photos should be stored with a friend or family member who lives outside the area.

Update Emergency Plans

Emergency plans should be reviewed annually. Personal and business situations change over time as do preparedness needs. When employers hire new employees or when a company or organization changes functions, plans should be updated accordingly and employees should be informed of the changes.

Check on Fiduciary Bonds

Employers who use payroll service providers should ask the provider if it has a fiduciary bond in place. The bond could protect the employer in the event of default by the payroll service provider.

IRS Ready to Help

If disaster strikes, an affected taxpayer can call 1-866-562-5227 to speak with an IRS specialist trained to handle disaster-related issues. Back copies of tax returns and all attachments, including Forms W-2, can be requested by filing [Form 4506, Request for Copy of Tax Return](#). Likewise, transcripts can be ordered using [Form 4506-T, Request for Transcript of Tax Return](#). Returns or transcripts can also be ordered by calling 1-800-829-1040. There is no fee for a transcript or tax return copy for a taxpayer located in a federal disaster area qualifying for individual assistance. Taxpayers should put the assigned Disaster Designation in red ink at the top of the request form.

IR-2009-61, June 22, 2009

****Continued from Page 1****

However, under the “kiddie tax,” investment income above \$2,000 received in 2013 by dependent children up to age 24 can be taxed at the parents’ top rate. Also, shifting too much income might affect college aid eligibility.

TIP: Finally, don’t forget that the 0% capital gains rate only applies to assets held longer than one year. Short-term gains are taxed at ordinary income rates.

Small Business Tax Strategies — May 2013

Snapshot of cutoff levels

Single Filers	Joint Filers	Long-Term Capital Gains Tax Rate
\$0 - \$36,250	\$0 - \$72,500	0%
\$36,250 - \$200,000	\$72,500 - \$250,000	15%
\$200,000 - \$400,000	\$250,000 - \$450,000	15%
\$400,001+	\$450,001+	20%

- Have you moved?
- Got a new phone number?
- Changed your email address?



If you answered YES to any of these questions, please notify SBG of these changes so we can update your information in our system. We came across several this tax season who had moved, but never provided us the new address. Please email Kewanna at kgroman@smallbg.com or call her at 731-2221, ext. 11.



Q: My small business just had to pay double the FUTA tax I normally pay. Did I miss a tax law change?

A: Not exactly, but the FUTA tax rates in many states have gone up. The 6.0% required tax employers must pay under the Federal Unemployment Tax Act (FUTA) is usually offset by a 5.4% credit for an effective rate of only 0.6%. But the credit is reduced for employers in states that haven’t repaid outstanding loans from the federal government. As a result, employers in more than half the states must pay higher FUTA taxes in 2013 — Florida is one of these states.

TIP: At least the 0.2% FUTA surtax that expired in 2011 hasn’t been restored.

Small Business Tax Strategies — May 2013

GROW our Business

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

Help Us