Volume 38, Issue #9

SEPTEMBER 2014

Small Business Group CONTACT

9/1
- Office Closed for Labor Day

9/15
- Payroll tax deposit due if liability is over $2500
- Filing Deadline for extended Corp & Partnership returns

9/22
- Sales tax reports due

10/1
- Deadline for starting a new Simple Plan for 2014

OFFICE HOURS

Monday - Thursday
8 am to 5 pm

CLOSED FRIDAYS
(May through December)

Inside this

Sidestep Year-End Tax Trap on Depreciation

At this point, it's anybody's guess if the Section 179 allowance will be increased this year. Small business owners can't count on it so they might have to take regular depreciation deductions.

Strategy: Buy qualified property before Oct. 1. Otherwise, if you place an overabundance of property in service during the last quarter of the year, you could fall into the tax trap. It all has to do with the way depreciation deductions are calculated under the Modified Accelerated Cost Recovery System (MACRS).

Here's the whole story: Absent the Section 179 expensing deduction, the MACRS generally treats property placed in service at any time during the year as being placed in service on July 1 under the "midyear convention." Therefore, your business can effectively benefit from a half-year's deduction, even if property is placed in service late in the year.

However, if the property placed in service during the last quarter exceeds 40% of the cost of all assets placed in service during the whole year—excluding any amounts for real estate—your depreciation deductions for all property placed in service during the year (except for real estate) are figured under the "mid-quarter convention."

How it works: The depreciation deduction for the property is based on the equivalent of one-half of the quarterly period the property is placed in service (plus a full amount for any subsequent quarters). Say you place property in service in any of the last three months of the year—October, November or December—you're entitled to only 1½ months' worth of depreciation. Conversely, property placed in service in the first quarter of the year may be entitled to 10½ months' depreciation (1½ months for the first quarter and nine months for the following three quarters). This could significantly reduce the deduction for year-end purchases.

Example: Your Company buys seven-year business property in October costing $100,000. Under the midyear convention, the first-year deduction would normally be $14,290 (based on the MACRS tables).

Now suppose this is the only business property your company places in service during the year. Because you now fall into the last-quarter tax trap, your depreciation deduction is computed under the mid-quarter convention, reducing the deduction to only $3,570. This could be avoided by moving up purchases into September.

Tip: Currently, the maximum Section 179 deduction for 2014 is $25,000, but it could be raised by new legislation enacted later this year.

Small Business Tax Strategies — September 2014

Semi-Weekly 941 Deposit Due Dates

Payroll Check Date:	Deposit is Due on:
Aug 27-29	Sep 4
Aug 30-Sep2	Sep 5
Sep 3-5	Sep 10
Sep 6-9	Sep 12
Sep 10-12	Sep 17
Sep 13-16	Sep 19
Sep 17-19	Sep 24
Sep 20-23	Sep 26
Sep 24-26	Oct 1
Sep 27-30	Oct 3

We would like to introduce our newest employee:

RHONDA JOHNSON
Staff Accountant

Rhonda has numerous years of experience in accounting, taxation and QuickBooks. We are so happy to welcome her to the SBG family!

Phone: 904-731-2221, ext 16
Email: rjohnson@smallbg.com

Go back-to-school on Section 529 plans

If you were thinking ahead, you may have established a Section 529 plan to help pay college expenses of your oldest child. That child is now out of school and you still have money left in the 529 plan account set up for the child. What do you do?

Strategy: Roll over any unused funds into an account for another child. The rollover is completely tax-free.

Here's the whole story: A Section 529 plan is an educational savings plan operated by one of the states. As long as certain requirements are met, there's no income tax on the accumulation of earnings within the plan, plus qualified distributions are exempt from tax. Furthermore, contributions to the plan may be sheltered from gift tax by the annual exclusion *(see box).*

Choosing a plan

There are two types of Section 529 plans: (1) prepaid tuition plans and (2) college savings plans. With a prepaid tuition plan, you can lock in future tuition rates at in-state public colleges at a current rate guaranteed by the state. In contrast, a college savings plan is more flexible, but it does not offer any guarantees.

1. Prepaid tuition plans: Essentially, the plan is guaranteed to keep pace with the rising cost of college tuition. For instance, let's say it currently costs $15,000 to send a child to State U. for the year. You pony up $15,000 right now to buy shares in the plan for an 8-year-old. When the child is ready to go to school in 10 years, your shares can pay for an entire year of tuition—no matter what it costs at that point.

This type of plan is often attractive to parents because it offers peace of mind. There's no risk of loss of principal and the investment is usually guaranteed by the state.

2. College savings plans: As opposed to a prepaid tuition plan, there is no guaranteed lock on future tuition costs under a college savings plan. But there's a bigger potential upside as well, since you can earn a better return with this type of plan.

Usually, the plan will offer an asset allocation strategy geared to the current age of the child or the year he or she will enter school. For example, the plan may provide more aggressive investments in the early years and switch over to more conservative investments as college approaches. Typically, the plan will use about five "age ranges" for asset allocation purposes, such as: newborn through age 6, age 7 through age 9, age 10 through age 12, age 13 through 15 and age 16 and up.

Anyone can contribute to a Section 529 plan on behalf of a named beneficiary. So these college savings tools aren't just for parents—they have also become a popular way for grandparents to pitch in.

What happens if the child doesn't attend a school in your state? For participants with a prepaid tuition plan, the state will allow you to transfer the value of your contract to private schools and out-of-state schools (although some states do not transfer full value). If you move away and the child returns to a school in the former state, the state may charge tuition at an out-of-state rate or honor the in-state rate, depending on the state.

Small Business Tax Strategies—September 2014

Do some gift tax cramming

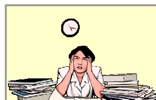
The amount you transfer to a Section 529 plan on behalf of a child or grandchild qualifies for the annual gift tax exclusion. Currently, you can give away up to $14,000 a year—$28,000 for joints gifts made by a married couple—to an account for the beneficiary without paying any gift tax.

Strategy: Front-load your Section 529 plan contributions. The tax law allows you to claim the equivalent of five years' worth of gift tax exclusions to shelter larger contributions to jump start 529 plan accounts with no adverse gift tax consequences. The gift is treated as if it was spread out over the five-year period.

In other words, you and your spouse can together contribute up to $140,000 (5 x $14,000 x 2) on behalf of one child or grandchild this year without paying any gift tax. If you have five grandchildren, you and your spouse can together contribute up to $700,000 (5 x $140,000) to Section 529 plan accounts ($140,000 to each grandchild's account).

Tip: Any excess above the gift tax exclusion may be sheltered by the $5.34 million gift tax exemption.

ONLINE RESOURCE:
Each state sets its own limits on contributions. For more information, visit **www.finaid.org/savings/state529plans.phtml**.



*****IRS FILING DEADLINE*****
PERSONAL TAX RETURNS ON EXTENSION IS OCTOBER 15th!

Just a reminder that the deadline to get your information into SBG for your **2013 personal taxes** is rapidly approaching. We need to have your information in our office by **SEPTEMBER 22nd**. If not, we cannot guarantee that we can process your return in time to get it submitted to the IRS by the October 15th deadline. Therefore, **if you have not already done so, please contact Kewanna or Charia at 731-2221 to schedule your tax interview appointment or you can simply drop off your tax documents.** Don't put it off …do it today!