

In this edition...

We've been delayed in writing this newsletter by last week's *fiscal cliff* lawmaking in Washington, which has complicated the year-end planning process and promises ripples into *tax season*. Even as we write, many of the rules are being refined and the forms being redesigned, both at federal and state levels.

[Little break on quarterly taxes](#)

This comes from hurricane Sandy of all things...

[Cliff deal outcomes - right now](#)

Changes in deadlines among other things...

[Cliff deal brings some pleasant surprises](#)

To our surprise, the cliff legislation didn't just extend rates, it resurrected tax benefits...

[Home mortgage been sold?](#)

If this happens, it could be an opportunity...

[Phishing scams on the rise](#)

You receive an email that looks very authentic but here's how to tell...

[Contact list](#)

Our people and their email addresses...

[Circular 230 disclosure](#)

[Our mission statement](#)

Our service goal

At Purtil & Company, we believe our best client is a well-informed one, who welcomes ideas and challenges us with ideas. Our strengths are in planning, strategies and actions where we can put our knowhow to work as opposed to the book-and-forms work favored by many accounting firms. This newsletter is part of that process, but not the only part. Besides this, we want you to feel free to ask us anything. If it's a quick email, and doesn't require extensive research or effort on part, our policy is to absorb the cost internally. That will also let us identify bigger opportunities as they emerge.

Do you want us to cover something in a future edition of this newsletter? Or even to have an answer to right now, without waiting? [Click here to contact John.](#)

[..back to top](#)

Cliff deal brings some pleasant surprises

To our surprise, the cliff legislation didn't just extend rates, it resurrected some tax benefits we didn't think we would ever see again. *We see the hands of politicians looking to extend pet favorite tax deductions.* Here is our list of ones you don't want to miss.

These died two years ago. Now effective retroactively and extended through the end of 2013:

- Residential energy credit.
- Higher education credits.
- Charitable rollover of IRAs. *Note, you can still get a credit for 2012 by rolling in January 2013.*
- Wage credits for military personnel on active duty.
- Charitable contributions of business property.
- Tax credit for plug-in electric vehicles.

These were scheduled to end in 2012 and are now extended one year:

- Teacher's classroom materials credit.
- Education credits, several of them.
- Student loan interest, now made permanent.
- Child tax credits now extended to 2017.
- Employer-provided child care, now made permanent.

Permanently changed things:

- The dreaded alternative minimum tax (AMT) was reduced and indexed to inflation so we don't have to cringe every year. On the other hand, it's a permanent tax we have to complain about.
- The estate tax was locked in at the \$5 million level per person and indexed to inflation with a maximum rate of 40%.

We don't like either of these, but it could be worse.

[...back to top](#)

Home mortgage been sold?

We hope your home mortgage isn't *under water* as some still are but you may know someone whose mortgage is.

If this happens, it could be an opportunity, because many bank mortgage lenders have been cleaning up their portfolios by selling mortgage servicing rights to other financial institutions. The most recent case is Bank of America, which sold \$300 billion last week and expected to sell another \$100 billion this week. Other banks are doing the same. Why? These banks are dumping their mortgage portfolios because they are subject to tight new capital rules, known as [Basel III](#), and the buyers are non-bank lenders that aren't subject to the new rules.

The new lenders may carry these loans at a discount, that is the buyer paid less - sometimes a lot - than the mortgage debt. In that case, they may be willing to accept a discounted buyout.

What to do? You'll be notified of the transfer via a letter from the new mortgage service company. Look it over carefully. Does it suggest a payoff opportunity? If you're bankable, that is, you can you can refinance from another lender to pay off the loan, you've got an opportunity. Now:

- Line up your refi money.
- Approach the new services.
- Make a deal!

Want more on his? Call us to discuss.

[...back to top](#)

Cliff deal outcomes - right now

For a short law that was supposed to have taken a few days to negotiate, there's a lot of change. One thing basically did not change: the income tax rates *for next year*, which remain at this year's rates for just about everyone, except if your *taxable income* exceeds \$400,000 for joint taxpayers. However, the rate goes up only on the part exceeding \$400,000. ***And the good news is that the 15% rate on capital gains and dividends stays in place for most people.***

But here are some unexpected outcomes:

Deadlines:

With a tax system as complicated as ours, you don't change it on a dime. In the IRS, there are 7,000 computer systems people who maintain over 400 systems to process over 200 million tax returns each year. Add to that the programming staffs for 57 states and territories and you've got the work of a lot of people to coordinate, oversee, test and implement.

- The IRS won't be accepting tax returns for filing until January 30th *at the earliest*. Many of the forms we use in our practice don't even exist yet.
- Some taxpayers with more complex situations, such as operating a business, owning equipment or real estate will find the IRS not processing until February.
- We predict the April 15th deadline will be postponed due to delays in the entire system.

Higher taxes:

What? Yes. Some things impact middle-income taxpayers. See us for details on your situation.

- Investment income, including rent, dividends and interest is now subject to a formula-based assessment for people earning over \$250,000 annually.
- "Accumulated earnings" and "holding company" tax increases from 15% to 20% for some corporation owners, regardless of the owner's income.

[...back to top](#)

Little break on quarterly taxes

In a belated response to Hurricane Sandy, the IRS has just issued a broad amnesty on tax returns and payments due from about October 27 through January 15th. These are now due on February 1, 2013. As we read this, it applies to taxpayers residing in CT, MD, NJ, NY or RI or those whose tax professionals were located in those areas. ***We interpret this to mean that all clients of ours are entitled to relief even if they are not located in those states, because we are located in a storm county: New Haven County in Connecticut.***

This amnesty applies to filing and payment penalties already assessed or to be assessed for the following:

- 4th quarter individual tax payment due January 15th 2013.
- Payroll and excise returns for 3rd and 4th quarters of 2012.
- Payroll and excise payments for 3rd and 4th quarters of 2012.
- Income tax returns due during that time.

Thus, if we gave you a payment coupon for January 15th, 2013, you don't have to make the payment until February 1st.

[...back to top](#)

Phishing scams on the rise

PYou receive a notice from the FBI, CIA, IRS or any other government agency saying you owe money, are entitled to a refund, must resolve a problem, have unclaimed money on deposit and they want to hear from you ASAP. The email looks very authentic, complete with logos, official-sounding department names, Washington addresses, return addresses like j.edgar.hoover@fbi.gov and many other signs that it's real. And you know the whole world is tuned into email, so why not the government?

But is it real? Here's how to tell...

1. As all these agencies will tell you, they *do not* communicate via email. Just snail mail due to security. Their customer service personnel aren't allowed to use email to outsiders.
2. They always write in standard American English, using American spellings and terminology.
3. An email can *seem* to come from anyone at all, as can a link. But, pass your mouse over the FBI link above. Looks real? If you click it, you'll generate an email to John Purtill. Try it!
4. The locations listed *sound* familiar, but they don't exist. Look them up. We saw Fullerton NY used for the IRS. Sounds like they might have an office there, but Fullerton is in California and there's no IRS office there.
5. The government isn't allowed to copyright anything.
6. The government doesn't just give out money. They don't have enough money to give out and they always make you work for it by filing some sort of form.

Why is this picking up? One reason is that it's tax time and they know you're expecting communication about money you're owed or that you owe. Another is that these frauds are becoming easier to pull off because the systems to stop them are becoming ineffective due to the high volume.

The goal is to lure you into revealing personal information that can be used for identity theft. The fraud is called phishing, a take-off on fishing. You can look it up: [click here](#). And if you receive an interesting one, forward it to john@purtill.com.

[...back to top](#)

Contact list

You can contact any Purtil & Company employee by using the employee's first name and our company email location. Or, just click the employee's name below. So, for John, the email address would be john@purtil.com.

Or just call us on the phone: 203-272-2844. We love hearing from clients and our rule is that we answer any phone calls before we can go home for the day!

Do you need help with bookkeeping? We normally don't do it ourselves but we maintain contacts with a number of free-lance bookkeepers and we can either refer you to a good one or help you hire one.

[John Purtil](#)

Financial and tax planning, business software, business planning, IRS problems, family businesses.

[Edwin Monteiro](#)

Business software, financial and tax planning, financial statements, tax returns, client accounting.

[Ardiana Adili](#)

Financial and tax planning, financial statements, business planning, IRS problems, restaurants, client accounting, family businesses.

[Gretchen Fredericks](#)

Administration, client accounts, collections.

[...back to top](#)

Circular 230 disclosure

Under U.S. Treasury Department Regulations, we are required to inform you that, unless otherwise expressly indicated, any federal tax advice contained in this communication, including attachments, enclosures and links is not intended or written to be used, and may not be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

[...back to top](#)