

Remember last year at this time? We were waiting for the results of the *fiscal cliff* lawmaking in Washington, which complicated the year-end planning process. None of that this year. **However...** Because of last fall's government shutdown, the IRS is far behind on preparing to receive our 2013 income tax returns. The date was originally January 21st and it is now sometime between January 28th and February 4th. We'll keep you informed.

Click on the topic...

[Estimated payment reminder](#)

January 15th is the quarterly deadline...

[Year end charitable contributions](#)

Do you know what they do with your money?

[Some last-minute tax issues](#)

December 31st approaches fast and you may want to take advantage of these...

[State minimum wage changes](#)

Starting January 1st, this will affect many of us...

[Contact list](#)

Our people and their email addresses...

[Circular 230 disclosure](#)

A legal requirement...

Our goal At Purtil & Company, we believe our best client is a well-informed client, 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 information effort, but it's not the only part. *In addition to 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.

[...back to top](#)

Estimated payment reminder

If your situation calls for quarterly estimated tax payments, the final one for 2013 is due on or before Wednesday January 15th 2014. Here are some pointers to keep in mind:

- If you're behind for 2013 and you also receive wage income from an employer, make the payment up with a larger withholding from your paycheck.
- If you're having a cash flow shortage, pay what you can and make it up later. Better to make a small payment than none at all.
- Consider making monthly payments instead of quarterly. This reduces the pain. There's no rule prohibiting a monthly payment and the IRS and your state will be happy to receive the money.
- If you pay a few days late, it's not a problem. Unlike other debts, such as credit cards, there is no large late fee for missing a deadline, but only a small interest adjustment.

The penalty for failing to make quarterly estimates is a form of late payment fee: a percentage of your tax bill but not as steep as the one charged by your credit card company. However, because you don't get any credit for paying early, there's no point in paying earlier than you have to. All you're doing is giving the government an interest-free loan. That's where we come in. We use our judgement in calculating the best payment - sometimes no payment at all - for the best deal for you. However, your situation may change during the year and affect your payment requirements. If it does, give us a call.

[...back to top](#)

Do you know what charities do with your money?

December is when our mailboxes are stuffed with charitable donation requests. That's because some studies show that an extremely high percentage of contributions take place in the last two weeks of the year. Most of the requests are from legitimate charities but an increasing number are dedicated only to collecting your money and little of it goes to the worthy causes you think you're supporting. How can you tell?

1. *Check to see if it's eligible.* Most fall under the 501(c)(3) category, but [click here](#) for the entire database. These organizations are authorized by the IRS, which sets the reporting standards.
2. *Look at the numbers.* Responsible charities try to keep their total management and fund raising expenses under 10% of total expenses. But that's not an absolute rule and there are exceptions. A charity that primarily manages volunteers must pay a greater percentage for administration because the value of the volunteers' labor doesn't show up on the books. You can get this information in two places:
 - a. The Charity's IRS form 990, which is published on the Web site [Guidestar](#). Free registration.
 - b. Rating agencies such as [Charity Navigator](#).
3. *Beware of the scams.* They have names that are close to reputable ones and may even be registered 501(c)(3) organizations but they keep all the money. Some notorious scams are discussed in a [Tampa Bay Times](#) article. Some of them spend less than 1% of their donations on good works.
4. *Don't contribute over the phone.* You have no way of knowing if the caller is legitimate.
5. Remember that 2013 is the last year you can make a charitable IRA rollover. See our article for details.

[...back to top](#)

Some last-minute tax issues

We're working on our year-end planning for clients, individuals and businesses. If you don't hear from us, call or email us first. We'll be happy to hear from you. Meanwhile, here are some things to think about.

IRA distributions to charity

This is the last year for this tax break. With it, you make an IRA distribution directly to a charity. The benefit is in states with high state tax rates, such as NY, NJ, CT, MA and CA. Because they don't get a tax deduction for charitable contribution - or much of one - residents of those states save on overall taxes. People who are over age 70½ are required to take minimum distributions from their individual retirement accounts, so this provision allows them to contribute that money to charity without counting those distributions as income. The provision can keep income low enough for an individual to qualify for other tax breaks that may have phase-out limits. If you plan a charitable deduction, make it from an IRA before December 31st.

State and local sales tax

This tax deduction has been extended for one year. It benefits our clients in states with no income tax, such as TN, TX, FL. Normally, if you pay state or local income tax, you can deduct that amount from your federal taxes if you itemize. But if your state doesn't have an income tax, you can't take advantage of that deduction. This provision allows you to deduct sales tax instead. You can use the IRS estimate based on your income, and if you plan a large purchase, such as a car, you can add it to the calculated amount. Do this before December 31st.

Electric vehicles

Consumers who buy a qualified electric plug-in vehicle may be eligible for a tax credit of up to \$7,500 depending on the size of the car's battery pack. The Chevy Volt and Nissan Leaf receive a \$7,500 credit, Ford Fusion Energi and C-MAX Energi receive a \$3,750 credit.

Home energy efficiency

The energy-efficiency tax credit has a \$500 lifetime limit. If you haven't used it up, do so this year because it's about to run out. There is a separate series of credits available from \$50 to \$300 each for energy-efficient equipment, such as furnaces, water heaters, air conditioners and heat pumps. Tot total is limited to \$500.

Business startups

If you have any plan to start a business in 2014, take the steps now, even if it's the cost of forming the business, starting a bank account, buying business cards, computers, etc. Then, don't forget to take our [Business Startup Boot Camp](#), starting in February 2014. Business owners have more control over how they pay taxes, because they can keep more money in the company and count certain costs as expenses.

College savings accounts

Only a minority of parents create 529 college savings accounts for their children. The accounts let parents invest after-tax money and grow it tax-free – as long as the money is used for tuition. This is a great way to move money to the next generation tax-free. The IRS doesn't allow a deduction for a 529 plan but just about every state offers one ranging from \$250 (ME, VT) to unlimited (CO, NM, SC, WV). The most generous are PA at \$13,000; IL, MS and OK at \$10,000; MO at \$8,000. Right behind these is AL, AR, MI, NE, CT and NY which each allow up to \$5,000. Contact us for details.

[...back to top](#)

S tate minimum wage changes

These were announced in late November, 2013. They're effective on January 1, 2014 unless otherwise noted.

State	Rate	Remark
AZ, MT	7.90	
CA	9.00	effective July 1, 2014
CT	8.70	
FL	7.93	
MI	7.50	
NJ	8.25	
NY, RI	8.00	
OH	7.95	
OR	9.10	
VT	8.73	
WA	9.32	

[...back to top](#)

Contact list

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

We're presently interviewing for a new staff member and should have someone in place before our next newsletter edition.

[John Purtil, CPA, CGMA](#)

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

[Olga Bubnova, CPA](#)

Tax returns, financial statements, tax planning, QuickBooks issues.

[Jay Purtil](#)

AccountMate, network administration.

[Maurice Jordan](#)

Webmaster, accounting systems, network administration.

[Gretchen Fredericks](#)

Work flow management, firm administration, client accounts, collections, AccountMate issues. Gretchen is the person to see if you've got a hot deadline or want to know where something is.

[...back to top](#)

Circular 230 disclosure

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[...back to top](#)