Newsletter

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Note These January Tax Deadlines:

It's tax return filing season once again. Among the tax deadlines you may be required to meet in the next few months are the following:

February 18 Deadline for providing 2013 Forms 1099-B and 1099-S to recipients.

February 28 Payers must file 2013 information returns (such as 1099s) with the IRS. Employers must send 2013 W2 copies to the Social Security Administration. Electronic filers have until March 31 to file.

March 17 2013 Calendar-year Corporation income tax returns are due or extensions must be filed by this date.

March 23 Tax Organizer files are due in our office to ensure an April 15th filing. We attempt it for everyone that wants to file by April 15th, but cannot guarantee if your file is received after this date.

IRS Adjusts Tax Numbers for 2014

Each year the IRS adjusts certain tax numbers for inflation and tax law changes. Here are some of the adjusted numbers you'll need for your 2014 tax planning.

- Standard mileage rate for business driving decreases to 56¢ a mile. Rate for medical and moving mileage decreases to 23.5¢ a mile. Rate for charitable driving remains at 14¢ a mile.
- Section 179 maximum first-year expensing deduction decreases to $25,000, with a phase-out threshold of $200,000.
- Social security taxable wage limit increases to $117,000. Retirees under full retirement age can earn up to $15,480 without losing benefits.
- Kiddie tax threshold remains at $2,000 and applies up to age 19 (up to age 24 for full-time students).
- Nanny tax threshold increases to $1,900.
- Health savings account (HSA) contribution limit increases to $3,300 for individuals and to $6,550 for families. An additional $1,000 may be contributed by those 55 or older.
- 401(k) maximum salary deferral remains at $17,500 ($23,000 for 50 and older).
- SIMPLE maximum salary deferral remains at $12,000 ($14,500 for 50 and older).
- IRA contribution limit remains at $5,500 ($6,500 for 50 and older).
- Estate tax top rate remains at 40%, and the exemption amount increases to $5,340,000.
- The annual gift tax exclusion remains at $14,000.
- Tax credit for adopting a child is $13,190 for 2014.
- Alternative minimum tax exemption amounts increase to $52,800 for single taxpayers and $82,100 for married couples filing a joint return.

Check your eligibility for this business credit

The health insurance premium credit for small businesses has been available since 2010. According to a recent report, many businesses that qualify for this credit have failed to take it.

Even if your business hasn't taken this credit in the past, you may want to look into it this year. For 2014, the credit increases from 35% to 50%. When you qualify, you can use the credit to offset your federal income tax liability by up to 50% of the cost of health insurance premiums you pay for employees.

Three general tests for eligibility are:

Employing fewer than 25 "full-time equivalent" employees.

Paying average annual wages of less than $50,000.

Paying at least 50% of health insurance premiums for those employees.

Each test has specific requirements. For example, you may qualify for the credit, in full or in part, when you have more than 25 employees. That's because "full-time equivalent" is based on hours your employees worked during the year.

In addition, some employees aren't counted for purposes of the credit, such as seasonal staff who were on the payroll for less than 120 days. Other excluded workers are sole proprietors, owner/employees, and shareholders who own more than 2% of the stock of an S corporation.

For assistance in reviewing your eligibility for the credit, contact our office.

Don't forget Form 8938 if you have foreign investments

If you own foreign investments, you may have an additional federal tax form to file this year.

Form 8938, "Statement of Specified Foreign Financial Assets," is due April 15, 2014, and is filed as part of your individual tax return. You'll use Form 8938 to disclose interests in certain foreign financial accounts when your ownership exceeds the reporting requirements.

What are the reporting requirements? They vary depending on where you live and your filing status. For example, say you're married and live in the United States, and you'll file a joint tax return for 2013. You'll include Form 8938 with your tax return when the total value of your reportable assets on the last day of 2013 was more than $100,000, or if the value exceeded $150,000 at any time during the year.

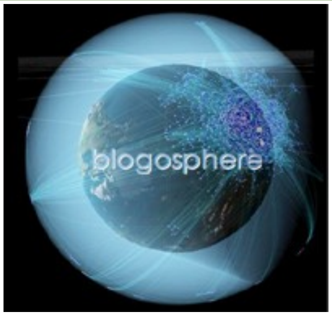
Reportable assets include investment accounts you own that are held in foreign financial institutions, interests in foreign entities, and stocks or securities issued by foreign individuals or companies.

You've probably noticed the reporting requirements are similar to the "Report of Foreign Bank and Financial Accounts" (FBAR), a separate return you may already be filing. Be aware the new Form 8938 does not replace the FBAR, which you'll still need to complete by June 30, 2014.

Penalties for failure to file Form 8938 start at $10,000. We urge you to contact us so we can help you evaluate your filing requirements for foreign investments.

From the Blogosphere…..blog.denverqbhelp.com Protecting Company Assets

As a business owner, you are obviously concerned with protecting all of your company assets; from inventory to fixed assets to cash. There are several safeguards that you can put into place that will help protect you from loss of these assets either through intentional efforts of employees or through human error. Internal control procedures are the best defense against embezzlement, fraud or theft. But they also help reduce and help identify unintentional errors made by trusted employees. This is a much more involved topic that can be entirely covered in this post, but an understanding of the



basics will help you determine where you need to improve or develop procedures that safeguard your assets.

Segregation of Duties is a basic form of internal control. This basically means that you divide duties between yourself and employees so that no singular employee cannot affect every stage of a process involving company assets. When you have an employee that inputs the payable invoices, selects them for payment, signs the checks and reconciles the bank account, this employee can easily create bogus vendor invoices, write checks to themselves or others and hide it from you.

Not every business has enough employees to properly segregate financial duties. Here are some basic controls and procedures which can reduce the possibility of theft.

Cash: 1) Put a procedure in place that requires two signatures on checks in excess of a certain amount. If two people need to sign checks, it is more difficult for one person to write a check for bogus purposes. 2) Reconcile your bank statement. It is important for you to see what transactions are being run through your bank statement. Both the physical checks and deposits, but also the electronic and automatic payments that we all find so convenient these days. 3) Monitor your Accounts Receivable and start calling when accounts start to age. The more contact you have with accounts that are late paying, the better your chances are of getting paid and getting paid faster. 4) Keep your check stock secured. Look for missing check numbers in your accounting software and then see if the missing checks have, in fact, been cashed but not recorded properly. 5) Always have someone who is not in charge of writing checks or making deposits reconcile the bank statement. This gives you a better chance of identifying something that does not look right. Their questions should be brought to you first so that you know of the issue and can determine if the answer provided is valid

Accounts Payable: 1) If one employee prepares vendor invoice payments, have yourself or another employee be in charge of signing the checks. Prepared checks should come with the original invoice attached so they are easily reviewed by the signing party. Each check must be matched with a valid and original invoice from a recognized vendor for a service or product that you know you purchased. Paying from photocopies can enable paying an invoice twice or having a second payment be a theft by an employee. 3) Not all vendors are great about volunteering that you made a duplicate payment or a payment in excess of what you owed. They keep your money for a while and when you do not contact them about it, they keep it.

Accounts Receivable: 1) Have someone other than the person in charge of accounts receivable open the mail and copy all checks received. All original checks should be stamped "For Deposit Only" with your company name and account number below it and deposited immediately. You can order custom stamps with this information on them to make that process very easy. The photocopies can then be used to post the payments to the customers accounts. Better yet, use a lock box account with your bank so all checks are sent directly to the bank and deposited. You then get a report from the bank on what was received and by whom. That report is then used to post to your accounting software. 2) Maintain control in your software over which employees can create Credit Memos. You are trying to avoid a scenario whereby an employee can cash a customer's check and then create a credit memo that makes the original invoice disappear from the Accounts Receivable aging report. You should review all credit memos that need to be created if you do not have enough employees to assign this task to a second employee. Periodically fun a report of all credit memos created and review them for validity. 3) Watch your receivable aging. Have someone call on accounts that are past due. This will help your cash flow and will alert you to accounts that show as past due, but in fact have been paid and the money was diverted somewhere else.

General Procedures: 1) Limit employees' ability to delete or void transactions. If you use QuickBooks, you can select the specific duties each employee has access to and this can include voiding and deleting. This will reduce their ability to pay an invoice with a phony check and then delete the invoice and the check from the system. 2) Remember that the "Audit Trail" in QuickBooks will show you every transaction that has been created, changed, deleted or voided. This feature cannot be turned off in QuickBooks, so it is a good tool to use when you are trying to recreate what happened to a transaction and determine which user affected the change and the date and time of the change. You can filter the report for a specific time frame or a specific type of transaction to narrow down the transactions it show.

Someone who is of a mind and familiar enough with your systems can always find a way to steal from you. If you don't have enough people to spread the duties amongst, you need to have your hands in some portion of it often enough to reduce your risk. Just having systems in place helps reduce the ability of an employee to look for a way to steal from you. The appearance of good internal controls makes an employee reconsider trying to steal from you. Fraud can be very difficult to find. God processes assist in the prevention of fraud by making it harder to accomplish by a singular employee.

Human error causes a lot of financial loss. Without proper procedures in place, invoices can be paid twice and you may never be made aware of the duplication. Erroneous transactions can hit your bank account. Banks are not error-proof. You need to catch these errors by reconciling your bank accounts and credit card transactions. These procedures should be put into place to catch errors first of all and to protect you from intentional theft as well. Look at your internal processes and see where one person controls a process from beginning to end. That is where you should start to develop better internal control.