



Bill Sipes



Stacy Seaton

**Sipes & Seaton**

166B West University Parkway  
 Jackson, TN 38305  
 Tel: (731) 664-7777  
 www.sipescpa.com

Dear Reader,

We hope this newsletter finds you starting your new year off right! Don't forget to call us for a tax appointment if you haven't already! We look forward to seeing you soon and keep sending in those referrals!

- Taxes in 2014
- Staff News
- Business Credit Cards
- Medicare
- What's Coming Up?

Bill Sipes,  
 CPA/ABV/PFS/  
 BVAL/CS

Stacy Seaton,  
 EA

## What You Need to Know About Taxes in 2014



*Kelly Phillips Erb, Contributor; Forbes.com; 1/5/14*

Tax season opens on February 1st. And here's my big prediction: a lot of taxpayers will be taken by surprise. Despite all of those "no new taxes" type promises, tax bills are expected to edge higher for a number of taxpayers for the 2013 tax year. And 2014 holds even more surprises. Here's a quick look at what to expect:

**Higher income taxpayers are going to pay more.** You're going to figure this out in a few months when you file your tax return. And it's no fluke. It will happen again in 2014.

First, the top tax rate for taxpayers is now 39.6%. We haven't seen those kind of rates in almost 15 years. How high will it go? The 39.6% tax rate kicks in at \$400,000 for individual taxpayers and \$450,000 for married couples filing jointly. All wages are subject to Medicare tax. That hasn't changed. But now, taxpayers who make over \$200,000 (\$250,000 for married taxpayers) will be subject to the Medicare surtax. If that's you, a Medicare surtax will be tacked on to your wages, compensation, or self-employment income over that amount. The amount of the surcharge is .9%.

Even if you aren't affected by the Medicare tax surcharge, you still may be subject to the Net Investment Income Tax (NIIT) if you have both net investment income and modified adjusted gross income (MAGI) of at least \$200,000 for an individual taxpayer and \$250,000 for taxpayers filing as married. Net investment income includes items like interest, dividends, capital gains, rental and royalty income, and certain income from businesses.

The limitation for itemized deductions claimed on individual returns for tax year 2014 will begin with incomes of \$254,200 or more (\$305,050 for married couples filing jointly). The limitation reduces itemized deductions by 3% of the amount by which your adjusted gross income (AGI) exceeds those thresholds, up to a maximum

reduction of 80%. That's a complicated way of saying that your deductions are limited as your income increases. It's not just higher

*(Continued)*

\*Bill Sipes is a registered representative and investment advisor representative with Sunset Financial Services, Inc. Securities & Investment Advisory Services offered through Sunset Financial Services, Inc. 3520 Broadway, Kansas City, MO 64111 (816) 753-7000 (Home Office) Member FINRA/SIPC. Sipes & Seaton, PC, CPAs and Business Appraisers is not affiliated with Sunset Financial Services, Inc.

(continued from page 1) income taxpayers who will feel a difference: **taxpayers who are affected by the Affordable Care Act could also feel the pain in 2014.** If you do not have health insurance in 2014 – and you don't otherwise meet certain exemptions – you're going to have to pay up. The Internal Revenue Service calls it a "shared responsibility payment." Other folks call it a penalty. Still others call it a tax or a fee. No matter what you call it, if you don't have health insurance and don't otherwise meet certain provisions, you'll have to cough up either 1% of your taxable income or a flat fee of \$95 per uninsured adult and \$47.50 per child (up to \$285 for a family), whichever amount is higher. But don't fret just yet: the penalty is due when you file your 2014 tax return in April 2015. By then, you'll be paying even more: the flat fee increases to \$325 in 2015 and \$695 in 2016. Ouch.

There is some good news. **The self-employed get something of a break in 2014:** there is an option to claim a new, simplified deduction for a home office. The deduction is equal to \$5/square foot of home office space – up to a maximum of 300 square feet. The per square foot calculation is intended to save hours more than dollars. The year 2014 will see more married same-sex couples. **The Supreme Court struck down the 1996 Defense of Marriage Act (DOMA) in 2013,** leaving the definition of marriage to the individual states. The IRS will recognize a legally married same sex couple regardless of whether the couple currently lives in a jurisdiction that recognizes same-sex marriage or a jurisdiction that does not recognize same-sex marriage.

**2014 also has the distinction of ushering in new Foreign Account Tax Compliance Act (FATCA) deadlines.** Among them, FATCA withholding on new accounts will become effective July 1, 2014. That reflects a six-month delay from the previous January 1, 2014, deadline. 2014 will also mark deadlines for the completion of new due diligence and registration requirements.

55 tax breaks expired at the end of 2013. Here's a look at some of what you'll miss out on in 2014, assuming no action from Congress:

- Teachers say goodbye to a tax deduction of up to \$250 of out-of-pocket costs for school and classroom related supplies.
- A number of energy-efficient home improvement tax credits took a tumble. The credit of up to \$500 for the installation of qualified insulation, windows, doors and roofs as well as certain water heaters and qualified heating and air conditioning systems evaporated as of December 31, 2013. The credit for solar hot water heaters, solar electric equipment and wind turbines is slated to stick around until 2016.
- Next on the list? The provision that allowed residents to deduct state and local sales and use taxes instead of state and local income taxes on their Schedule A.
- Underwater homeowners also lost their available tax break when the clock struck midnight on New Year's Eve. The Mortgage Forgiveness Debt Relief Act offered an exception to the rule that forgiven debt would be treated taxable income. Under the law, qualifying homeowners could exclude forgiven debt on a private residence that was the result of a renegotiated mortgage, short sale or foreclosure.
- Finally, business owners will feel the loss of the Section 179 expense deduction. The deduction allowed small and mid-size business owners to immediately deduct an amount used to obtain qualifying equipment rather than hack the deduction into pieces over time according to a depreciation schedule. It was half a million dollars and now it's just \$25,000.

## Staff News...

### Bill's Alma Mater Receives All-Time Best Rankings

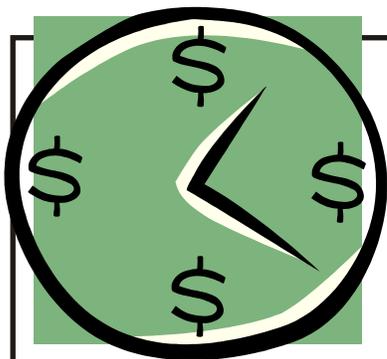
Bill Sipes is a 1968 graduate of University of Mississippi holding a Bachelors of Business



Bill Sipes

Administration & Accounting. He is proud to say the school has "set the bar for other Southeastern Conference institutions". All three accountancy programs at the University of Mississippi are ranked in the Top 10 nationally by the Public Accounting Report in its latest edition. Other SEC schools include: (9) Florida, (11) Georgia, (12) Missouri, (23) Alabama and (24) Tennessee. In its August 2013 issue, the independent newsletter of the accounting profession ranks the Patterson School of Accountancy's undergraduate, master's and doctoral programs at Nos. 4, 5 and 8, respectively, in their categories. The survey bases its results on votes from professors of accounting at U.S. colleges and universities. This is the sixth consecutive year UM programs have ranked in the top 25 nationally.

Bill remains an avid Ole Miss fan and continues to show his alumni support by speaking at Accountancy Weekend at University of Mississippi periodically.



## It's Time!

Time to schedule  
your tax appointment

Call us today!

# 731.664.7777

## Business Credit Cards...

### Big Fees and High Interest

By Brandon Ballinger; 10/22/13



Consumers have saved billions of dollars on credit card fees, thanks in part to the Credit CARD Act of 2009. That law

created new protections from crazy interest rate hikes and late fees.

Unfortunately, business credit cards don't come with those protections, and some lenders have no qualms about taking advantage of that, Bloomberg Businessweek says.

Business cards can offer higher credit limits, expense tracking and business-oriented rewards programs, Time says, but it's the cardholder's credit score that will suffer if payments can't be made on time. CardHub CEO Odysseas Papadimitriou told Time the best approach for small businesses is to pick up a business rewards card for everyday purchases and pay it off in full every month, while keeping and using a consumer card that comes with greater protections.

Another option is to go with a business card that has less crazy terms. "Bank of America has extended CARD Act protections to business account holders," Businessweek says.

Read more at

<http://www.moneytalksnews.com/2013/10/22/business-credit-cards-often-have-big-fees-high-interest/#V4Ux4rkaXK8Gk1xX.99>

# Additional 0.9% Medicare Tax

Article courtesy of: Howard J. Schneider, CPA

Individuals must pay an additional 0.9% Medicare tax on earned income above certain thresholds. The employee portion of the Medicare tax is increased from 1.45% to 2.35% on wages received in a calendar year in excess of \$200,000 (\$250,000 for married couples filing jointly; \$125,000 for married filing separately). Employers must withhold and remit the increased employee portion of the Medicare tax for each employee whose wages for Medicare tax purposes from the employer are greater than \$200,000.

There is no employer match for this additional Medicare tax. Therefore, the employer's Medicare tax rate continues to be 1.45% on all Medicare wages. An employee is responsible for paying any of the additional 0.9% Medicare tax that is not withheld by an employer. The additional tax will be reported on the individual's federal income tax return.

Because the additional 0.9% Medicare tax applies at different income levels depending on the employee's marital and filing status, some employees may have the additional Medicare tax withheld when it will not apply to them (e.g., the employee earns more than \$200,000, is married, filing jointly, and total annual compensation for both spouses is \$250,000 or less).

For self-employed individuals, the effect of the new additional 0.9% Medicare tax is in the form of a higher self-employment (SE) tax. The maximum rate for the Medicare tax component of the SE tax is 3.8% (2.9% + 0.9%). Self-employed individuals should include this additional tax when calculating estimated tax payments due for the year. Any tax not paid during the year (either through federal income tax withholding from an employer or estimated tax payments) is subject to an underpayment penalty.



## Individual is responsible for paying the additional 0.9% Medicare tax

Josh and Anna are married. Josh's salary is \$180,000, and Anna's wages are \$150,000. Assume they have no other wage or investment income. Their total combined wage income is \$330,000 (\$180,000 + \$150,000). Since this amount is over the \$250,000 threshold, they owe the additional 0.9% Medicare tax on \$80,000 (\$330,000 - \$250,000). The additional tax due is \$720 (\$80,000 × .009). Neither Josh's nor Anna's employer is liable for withholding and remitting the additional tax because neither of them met the \$200,000 wage threshold.

# WHAT'S COMING UP?

## January 31

- Most employers must file Form 941 (Employer's Quarterly Federal Tax Return) to report Medicare, Social Security, and income taxes withheld in the fourth quarter of 2013. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.)
- Give your employees their copies of Form W-2 for 2013. Give annual information statements to recipients of certain payments you made during 2013.
- File Form 940 [Employer's Annual Federal Unemployment (FUTA) Tax Return] for 2013. If your undeposited tax is \$500 or less, you can either pay it with your return or deposit it. If it is more than \$500, you must deposit it.

## February 28

- The government's copy of Form 1099 series returns (along with the appropriate transmittal form) should be sent in by today.
- The government's copy of Form W-2 series returns (along with the transmittal Form W-3)



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166B West University Parkway  
Jackson, Tennessee 38305  
Phone: (731) 664-7777 | Fax: (731) 664-1544  
www.sipescpa.com

\*Securities & Investment Advisory Services  
offered through Sunset Financial Services,  
Inc. 3520 Broadway,  
Kansas City, MO 64111  
(816) 753-7000 (Home Office)  
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**What a financial professional or advisor can do for you:**

- Assess your current financial situation
- Set realistic—and achievable—goals
- Create a financial strategy
- Help you put your plan into action
- Help you keep your plan on track – no matter what life throws at you

*Serving West Tennessee for more than 35 years.*

## Here's What We Can Do For You!

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- Individuals, Corporations, Partnerships, LLCs, Estates & Trust
- Preparation of Sales tax Returns
- Preparation of Business Tax and Personal Property Tax returns



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