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Dear Reader,

Happy 2013!! As a country, we are taking on lots of changes for the new year. This newsletter highlights several of them... Check it out!

- What to Expect in 2013
- Reporting of Credit Card Sales & Purchases
- Social Security Rate Changes
- Pension Plan Limitations
- 1040 Filers
- Upcoming Dates
- Staff Spotlight
- Improving Financial Services
- IRS Forms

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What to Expect in 2013...



Shortly before the arrival of 2013 an agreement was reached between the White House and the Congressional leadership to avoid the "Fiscal Cliff."

Here are some of the provisions which may affect you:

- **Payroll tax holiday ends.** The two-percent cut in the Social Security tax for all earners up to the Social Security wage base (\$113,700) will not be extended into 2013. The two-percent payroll tax holiday expired as of January 1, 2013, after giving workers an employment tax cut for the past two years.
- **Income tax rate increase.** A 39.6 percent rate (up from 35 percent) will be imposed on individuals making more than \$400,000 a year and families making more than \$450,000.
- **Alternative minimum tax patched.** A permanent AMT patch, adjusted for inflation, will be made retroactive to 1-1-2012, promising to protect an additional 30 million taxpayers from AMT liability.
- **Dividends and capital gains.** The maximum capital gains tax will rise from 15 percent to 20 percent for individuals making at least \$400,000 and \$450,000 for families.
- **Pease and personal exemption phaseouts.** The Pease itemized deduction phase out and Personal Exemption Phase-out (PEP) will be reinstated, but with different starting thresholds: \$300,000 income for the Pease limitation and \$250,000 for the PEP.
- **Estate Tax.** The estate tax regime will continue to provide an inflation-adjusted \$5 million exemption but will be applied at a higher 40 percent rate (up from 35 percent in 2012).
- **Personal tax credits.** The \$1,000 child tax credit, the enhanced earned income tax credit and the enhanced American Opportunity college tuition tax credit will all be extended.

Courtesy of HOWARD J. SCHNEIDER CPA, ABV, CVA, CFEA

A HAPPY
NEW YEAR

*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.

Business is great and we're looking for more!!

Reporting of Credit Card Sales and Purchases

Over the past few years, various enforcement programs have been administered by the IRS in an effort to close the "tax gap". The tax gap refers to the difference between actual taxes owed and actual taxes paid. The IRS estimates the tax gap ranges from 15 to 20 percent of the total tax liability. This included the passage of legislation to vastly expand the Form 1099 reporting requirements. One of the remaining provisions is the 1099-K Filing requirement.

What is the 1099-K? This was a common question from taxpayers in early 2012 when the forms started arriving in the mail. The form was introduced for the 2011 tax year to report transactions processed by credit card companies and third-party payment processors like PayPal. These



processors are required to report the gross sales processed for a taxpayer to the IRS on Form 1099-K - Merchant Card and Third Party Network Payments. As the 2012 reporting season approaches, there are several items to consider as it relates to Form 1099-K:

- * The initial 1099-K rules included a requirement for taxpayers to reconcile and separately report the revenue on the face of the 2012 business tax return. The IRS has since done away with the requirement and the 2012 tax forms will not include a separate line for merchant card and third party payments.
- * Payments reportable on Form 1099-K are not to be reported on Form 1099-MISC. For example, Business A provides services to Business B for \$5,000. Business B pays Business A with a credit card. The \$5,000 would be included in the 1099-K issued by Business A's credit card processor and Business B would not be required to issue a 1099-MISC to A. This prevents double reporting of revenue to the IRS.
- * It is important to have a system in place to track credit card receipts and payments. This will allow you to check the reasonableness and accuracy of any 1099-K or 1099-MISC you receive. It will also allow you to determine the proper amount to report on the Forms 1099-MISC you issue to your vendors.
- * Not only does the Form 1099-K require merchant and third-party payment processors to report the gross sales numbers as an annual total, it also requires them to break out gross sales as monthly totals. Although it is unclear how the IRS will use the monthly amounts, it is important to know they are aware of them.

(Article courtesy of Howard J. Schneider, CPA)

Social Security Rate Changes

The two-percent cut in the Social Security tax for all earners up to the Social Security wage base (\$113,700) will not be extended into 2013.

Beginning with January 1, 2013, the Social Security Old Age Benefit Tax on EMPLOYEES wages returns to 6.2 percent from 4.2 percent. As there was a question as to whether this provision would be extended, the IRS has not yet released withholding tax tables. THIS INCREASE DOES NOT AFFECT THE EMPLOYER'S TAX AS IT WAS ALREADY AT 6.2%. To recap, the FICA and Medicare Taxes in effect on 1/1/13:

(For both Employers and employees)

Old Age Benefit (FICA) 6.2%

Medicare 1.45%

A separate Medicare surcharge will be assessed upon employees' wages over \$250,000. Contact us if this applies to your employees.

IRS Announces 2013 Pension Plan Limitations; Taxpayers May Contribute Up to \$17,500 to Their 401(k) Plans in 2013

Oct. 18, 2012 (irs.gov) See the IRS website for full article.

WASHINGTON — The Internal Revenue Service today announced cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2013. In general, many of the pension plan limitations will change for 2013 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged because the increase in the index did not meet the statutory thresholds that trigger their adjustment.

Highlights include:

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan is increased from \$17,000 to \$17,500.
- The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan remains unchanged at \$5,500.
- The limit on annual contributions to an Individual Retirement Arrangement (IRA) rises to \$5,500, up from \$5,000 in prior years.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$178,000 to \$188,000 for married couples filing jointly, up from \$173,000 to \$183,000 in 2012. For singles and heads of household, the income phase-out range is \$112,000 to \$127,000, up from \$110,000 to \$125,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains \$0 to \$10,000.
- The Simple IRA: \$12,000 in 2013 (up from \$11,500 in 2012)



IRS Plans Jan. 30 Tax Season Opening For 1040 Filers

1/8/2013 (irs.gov) See IRS website for full article.

Following the January tax law changes made by Congress under the American Taxpayer Relief Act (ATRA), the Internal Revenue Service announced today it plans to open the 2013 filing season and begin processing individual income tax returns on Jan. 30. The IRS will begin accepting tax returns on that date after updating forms and completing programming and testing of its processing systems. This will reflect the bulk of the late tax law changes enacted Jan. 2. The announcement means that the vast majority of tax filers -- more than 120 million households -- should be able to start filing tax returns starting Jan 30.

The IRS estimates that remaining households will be able to start filing in late February or into March because of the need for more extensive form and processing systems changes. This group includes people claiming residential energy credits, depreciation of property or general business credits. Most of those in this group file more complex tax returns and typically file closer to the April 15 deadline or obtain an extension. We have worked hard to open tax season as soon as possible," IRS Acting Commissioner Steven T. Miller said. "This date ensures we have the time we need to update and test our processing systems." The IRS will not process paper tax returns before the anticipated Jan. 30 opening date. There is no advantage to filing on paper before the opening date, and taxpayers will receive their tax refunds much faster by using e-file with direct deposit. "The best option for taxpayers is to file electronically," Miller said.

Who Can File Starting Jan. 30? The IRS anticipates that the vast majority of all taxpayers can file starting Jan. 30, regardless of whether they file electronically or on paper. The IRS will be able to accept tax returns affected by the late Alternative Minimum Tax (AMT) patch as well as the three major “extender” provisions for people claiming the state and local sales tax deduction, higher education tuition and fees deduction and educator expenses deduction.

Who Can't File Until Later? There are several forms affected by the late legislation that require more extensive programming and testing of IRS systems. The IRS hopes to begin accepting tax returns including these tax forms between late February and into March; a specific date will be announced in the near future.

The key forms that require more extensive programming changes include Form 5695 (Residential Energy Credits), Form 4562 (Depreciation and Amortization) and Form 3800 (General Business Credit).

Upcoming Dates...

To avoid headaches and penalties, mark your calendar with the following key dates:

April 15, 2013

2012 Individual Tax Returns Due and Individual Tax Return Extension Form Due;

If needed, file your request for an extension by April 15 to push your deadline back to October 15, 2013. 1st Quarter 2013 Estimated Tax Payment Due- Last Day to make a 2012 IRA Contribution

If you haven't already funded your retirement account for 2012, do so by April 15, 2013. That's the deadline for a contribution to a traditional IRA, deductible or not, and a Roth IRA. However, if you have a Keogh or SEP and you get a filing extension to October 15, 2013, you can wait until then to put 2012 money into those accounts.

June 17, 2013

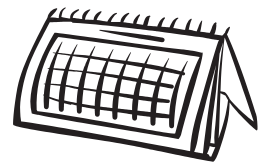
2nd Quarter 2013 Estimated Tax Payment Due

September 16, 2013

3rd Quarter 2013 Estimated Tax Payment Due

October 15, 2013

Extended Individual Tax Returns Due and Last Chance to Recharacterize 2012 Roth IRA Conversion; If you converted a traditional IRA to a Roth during 2012 and paid tax on the conversion with your 2012 return, October 15, 2013 is the deadline for recharacterizing (undoing) the conversion.



Source: turbotax.intuit.com & planningtips.com



It's that time of year again!

Have you set up your tax appointment yet?
It is very important for ALL clients to do this!

Please call us today,
if you have not done so already,
to schedule an appointment to meet with us.
731.664.7777



Staff Spotlight

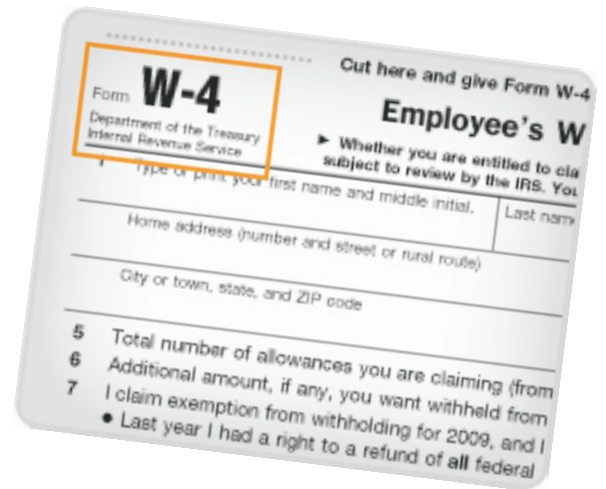


Scott Metcalf

Scott is a staff accountant at Sipes & Seaton CPA, where he has various accounting, payroll and write-up duties as well as business valuation analysis. He began his career at Sipes & Seaton CPA as an intern in May of 2010 and was hired full-time after graduating from Lambuth University. There he was a member of the golf team and graduated with a Bachelors of Business Administration degree in Accounting in June of 2011. He is fluent in Microsoft Excel and Word, Quickbooks, and Creative Solutions Accounting software.

DID YOU KNOW???

The IRS urges workers to review their withholding every year and, if necessary, fill out a new W-4 and give it to their employer. For example, individuals and couples with multiple jobs, people who are having children, getting married, getting divorced or buying a home, and those who typically wind up with a balance due or large refund at the end of the year may want to consider submitting revised W-4 forms.



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Improving Financial Services



Bill Sipes and Kelly McDonald have joined together to improve our financial services. Bill has known Kelly for nearly 40 years. "He is personable, honest and fair-minded," says Bill.

Kelly is a Chartered Financial Consultant (ChFC), a highly respected credential.

And, like Bill, Kelly is also knowledgeable about life and disability insurance. "He will be a valuable resource for our clients," says Bill.

Serving West Tennessee for more than 35 years.

It's Tax Time and Here's What We Can Do For You!

Tax Planning and Preparation

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



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