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## TAX ALERT

January 8, 2013

### APPOINTMENT CONFIRMATIONS ARE NOW BEING HANDLED VIA EMAIL

As you know, my staff and I pre-schedule appointments for tax return preparation. If you chose to pre-schedule your appointment the appointment that you selected is enclosed for your confirmation. **If your situation changed during 2012 (you sold a home, started a new business, etc.) please call my office now to make sure we have allowed for the proper amount of time for your appointment.** Please arrive at least ten minutes prior to your scheduled appointment time to allow time for check-in. I know your time is valuable. With your cooperation, I can schedule appointment times that minimize any client inconvenience. If you don't have a prescheduled 2013 appointment, call me now! I always give priority to current clients.

### 2013 FILING SEASON REFUNDS WILL BE DELAYED

Because Congress and the President did not finalize the 2012 tax rules until January 1, 2013, the IRS expects it will have to delay accepting some returns until mid-February. This will affect itemizers and anyone deducting teacher's supplies or college tuition.

### PRECISE REFUND DATES WILL NO LONGER BE GIVEN

The IRS has decided that they will no longer give an exact refund date when an inquiry is made. Filers who are seeking the status of their refunds will be told that refunds will generally be paid within 21 days of the date the return was filed.

### TRADITIONAL AND ROTH IRA LIMITS

The maximum annual dollar contribution limit for IRA contributions increases to \$5,500 for 2013. Individuals age 50 and older may make additional catch-up IRA contributions. The maximum contribution limit (before applying the AGI phase-out limits) for an individual who reaches age 50 before the end of the year is increased by \$1,000.

### SOME RETIREMENT PLAN LIMITS INCREASE FOR 2012

The maximum allowed for elective deferrals into 401(k), 403(b), most 457 plans and federal government Thrift Savings Plans increases to \$17,500. Catch-up contributions for those ages 50 and over remain at \$5,500. The maximum amount of compensation an employee may elect to defer into a SIMPLE plan remains \$12,000. Catch-up contributions for those ages 50 and over remain at \$2,500.

### FUN FACT

Did you know that there have been over 4,500 changes to the tax code since 2001? (Prior to the passage of The American Taxpayer Relief Act of 2012).

### EMAIL or PHONE?

As you know, in the past we have called our clients the day before their appointment as a reminder. Going forward, please let us know if you would like us to call or email you for this reminder.

## **GENERAL TAX TIPS INCLUDING A REVIEW OF SOME CONFUSING AREAS OF THE TAX LAW THAT AFFECT MANY:**

1. **Beware of excess 401(k) contributions when you change jobs.** If you are contributing to your company's 401(k) plan and change jobs, your new employer won't know how much you contributed in the calendar year to your previous employer's plan. This could result in your overall 401(k) plan contributions exceeding the maximum allowed. If you change jobs during the year and have been contributing to your employer's 401(k) plan, notify your new employer of the amount contributed to your previous employer's plan for the calendar year so your new employer can factor that amount in and prevent you from making contributions in excess of the maximum allowed.
2. **Catch withholding mistakes.** Review W-2 forms when you get them to make sure there are no mistakes. Check W-2 forms against your pay stubs. Ask your employer for a corrected W-2 if you find an error.
3. **Avoid IRS correspondence audits.** Check all 1099 forms the moment you receive them to be sure they're correct. Check to see that the forms are issued in the correct name, that the taxpayer identification numbers are correct, and that the dollar amounts are correct. If you find a mistake, send a copy of the 1099 back to the source to have it corrected before it goes to the IRS.
4. **Don't pay tax assessments based upon incorrect adjustments.** The Treasury Inspector General for Tax Administration (TIGTA) conducted a study of IRS' AUR system (the system that triggers notices to taxpayers proposing additional taxes based on the IRS matching program). They found that 5.1% of the samples in the study were sent incorrect notices. The errors resulted in \$18,968 of over assessed tax and \$1,146 of under assessed tax. Based on this information, TIGTA estimated 243,345 taxpayers would be over assessed and 97,430 would be under assessed over the next 5-year period. In my experience, the incidence of incorrect IRS notices is higher than that demonstrated in the TIGTA study. Unfortunately, most taxpayers pay-up for fear of further trouble or because "It's from the

IRS, it must be correct!" **Contact me before paying any additional tax due to an IRS notice.**

5. **Pay your estimated taxes electronically!** Both the IRS and Illinois Department of Revenue have programs where you can make your income tax payments using your personal computer. By doing this you eliminate having to go to the post office and use certified mail. If you are interested in more information about these programs, please call my office.
6. **Check with your adult dependent children to see if they claimed themselves on their own tax return(s).** Otherwise it is possible that the child will be claimed twice, on your tax return and their own. This will require amended returns to resolve and will also preclude you from filing your return electronically.
7. **Do you claim unreimbursed employee business expenses?** Any expenses that an employer would have reimbursed are not deductible. Make sure you know your company's reimbursement policy before deducting an employee business expense.
8. **New information will be required if you own rental property.** If you own rental property you will need to include on your tax return the number of days the property was occupied as well as the number of days the property was used for personal purposes.

## **YOUR REFERRALS ARE ALWAYS WELCOME!**

In the past, many of you have asked whether I am accepting new clients. If you know someone who is looking for a knowledgeable tax professional, I would appreciate your recommendation. As an expression of my gratitude you will receive a \$20.00 gift card for each confirmed new referral.

## **OUR BILLING POLICY**

Thank you for being so supportive of our billing policy. To keep my fees low, it is important for me to have a consistent billing policy that is the same for everyone. As a reminder, our billing policy states that **fees for tax return preparation are due at your appointment or when you pick up your return.** Your continued cooperation is greatly appreciated.

## CHECK OUT OUR PREPAID AUDIT SERVICE

Did you know that the IRS has resumed its **random audit program**? If the new program is similar to earlier IRS random audits, it promises to be especially grueling. National experts estimate that it will cost a taxpayer between \$500 and \$3,500 to hire an expert to provide representation on a random audit. This fact and the increased sophistication of the IRS and Illinois Department of Revenue (IDOR) computers make it increasingly likely that you will receive a proposed tax adjustment or notification of audit. As a result, we will offer our **Prepaid Audit Service** for the year 2011 tax returns we prepare. This service, if selected, entitles you to free representation should the IRS or IDOR audit you. Although I am always available to represent you in an audit, I charge an hourly fee for this service. A simple audit can result in fees of several hundred dollars. If you elect to participate in our **Prepaid Audit Service**, a fee of 25% of your tax return preparation cost will be added to your bill. This fee will cover all representation work done by us on your behalf for your 2011 tax return. As you can see, participation in our **Prepaid Audit Service** can result in dramatically lower audit representation fees. Please note: You must meet our eligibility guidelines to participate.

## QUESTIONS? CALL ME!

This letter is not intended to be an inclusive discussion on any of the topics presented. My goal is to make you aware of these provisions in order that we may discuss them in more detail and determine exactly how they may apply to your particular situation. If you have any questions regarding any of the subjects I have covered, please telephone my office. I look forward to helping you file your 2011 income tax returns accurately, efficiently and without worry.

## IT'S OUR 30<sup>th</sup> ANNIVERSARY!

Thanks to you, this tax season will be our thirtieth (remember, I started when I was 16☺). Your loyalty and patronage are **greatly** appreciated.

## HAPPY NEW YEAR!



My staff joins me in extending best wishes for a wonderful New Year filled with good health, happiness and prosperity. We appreciate your business and the confidence you have placed in us. We will do everything we can to earn your continued trust and goodwill.

Sincerely,

Stephen W. DeFilippis, EA

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