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To friends and clients,

It's that time of year where we should think about preparing an estimate of your current year tax liability and see if there isn't some way we can reduce that liability.

There are several things to consider when doing year-end tax planning: taking advantage of expiring tax provisions, deferring income into the following year or accelerating income into the current year, and accelerating expenses into the current year or deferring them into the following year. The proper strategy depends on whether or not you anticipate a significant change in income or expenses next year.

Attached is a 2013 tax guide for your reference.

Please call me at your convenience so we can set up an appointment and estimate your tax liability for the year and discuss any questions you may have.

Sincerely,

David Scolamiero, CPA

Tax Preparers' Due Diligence Requirements for EITC

Paid preparers who file EITC returns or claims for refunds for clients must meet four due diligence requirements. Those who fail to do so can be assessed a \$500 penalty for each failure.

- 1) Complete and file with taxpayer's return Form 8867, Paid Preparer's Earned Income Credit Checklist.
- 2) Fill out the appropriate EIC worksheet found in the Form 1040, 1040A, or 1040EZ instructions or in Publication 596, or your own equivalent form.
- 3) You must have no knowledge that any of the information used to determine the taxpayer's eligibility for the credit and the credit amount is incorrect.
- 4) Retain Form 8867 and the EIC worksheets (or your own equivalents of each), and a record of how, when, and from whom the information used to prepare the form and worksheet(s) was obtained. You must keep these documents for three years from June 30 following the date the return or claim for refund was presented to the taxpayer for signature.

2013 Medical Savings Accounts (MSA)

2013 Premium for High Deductible

Self Coverage	\$ 2,150 - \$ 3,200
Family Coverage	\$ 4,300 - \$ 6,450

Maximum Out of Pocket

Self Coverage	\$ 4,300
Family Coverage	\$ 7,850

Health Savings Account (HSA)

2013 Maximum Annual Contribution Limits

Self-Only Coverage	\$ 3,250
Family Coverage	\$ 6,450

2013 Minimum Deductible

Self Coverage	\$ 1,250
Family Coverage	\$ 2,500

2013 Maximum Out of Pocket

Self Coverage	\$ 6,250
Family Coverage	\$ 12,500

Additional Over Age 55

2013 and after	\$ 1,000
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Standard Deductions

IF Your Filing Status Is...	Base Amount	Additional Amount for Blindness or Over Age 65
Single	\$ 6,100	\$1,500
Married Filing jointly	\$12,200	\$1,200
Married Filing Separate	\$ 6,100	\$1,200
Head of Household	\$ 8,950	\$1,500
Qualifying Widow(er) with Dependent Child	\$12,200	\$1,200
Dependent of Another	\$1,000 or Earned Income + \$350	\$1,200 or \$1,500 if single or HOH

MACRS Recovery Periods

Type of Property	MACRS RECOVERY PERIOD	
	General Depreciation System	Alternative Depreciation System
Computers and their peripheral equipment	5 years	5 years
Office machinery, such as: Typewriters Calculators Copiers	5 years	6 years
Automobiles	5 years	5 years
Light trucks	5 years	5 years
Appliances, such as: Stoves Refrigerators	5 years	9 years
Carpets	5 years	9 years
Furniture used in rental property	5 years	9 years
Office furniture and equipment, such as: Desks Files	7 years	10 years
Any property that does not have a class life and that has not been designated by law as being in any other class	7 years	12 years
Roads	15 years	20 years
Shrubbery	15 years	20 years
Fences	15 years	20 years
Residential rental property (buildings or structures) and structural components such as furnaces, water pipes, venting, etc.	27.5 years	40 years
Nonresidential real property	39 years	40 years
Additions and improvements, such as a new roof	The same recovery period as that of the property to which the addition or improvement is made, determined as if the property were placed in service at the same time as the addition or improvement.	

2013 Filing Requirements for Most Taxpayers

IF your filing status is . . .	AND at the end of 2013 you were . . .	THEN file a return if your gross income was at least . . .
Single	Under 65	\$ 10,000
	65 or older	\$ 11,500
Married filing jointly	Under 65 (both spouses)	\$ 20,000
	65 or older (one spouse)	\$ 21,200
	65 or older (both spouses)	\$ 22,400
Married filing separately	Any age	\$ 3,900
Head of household	Under 65	\$ 12,850
	65 or older	\$ 14,350
Qualifying widow(er) with dependent child	Under 65	\$ 16,100
	65 or older	\$ 17,300

2013 Filing Requirements for Dependents

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return. In this chart, unearned income includes taxable interest, ordinary dividends, and capital gain distributions. Earned income includes wages, tips, and taxable scholarship and fellowship grants. Gross income is the total of your unearned and earned income.

Single dependents. Were you either age 65 or older or blind?

- No. You must file a return if any of the following apply.
- Your unearned income was over \$1,000.
 - Your earned income was over \$6,100.
 - Your gross income was more than the larger of —
 - \$1,000, or
 - Your earned income (up to \$5,750) plus \$350.
- Yes. You must file a return if any of the following apply.
- Your unearned income was over \$2,500 (\$4,000 if 65 or older and blind).
 - Your earned income was over \$7,600 (\$9,100 if 65 or older and blind).
 - Your gross income was more than —

The larger of:

 - \$2,500 (\$4,000 if 65 or older and blind), or
 - Your earned income (up to \$5,750) plus \$1,850 (\$3,350 if 65 or older and blind).

Married dependents. Were you either age 65 or older or blind?

- No. You must file a return if any of the following apply.
- Your unearned income was over \$1,000.
 - Your earned income was over \$6,100.
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than the larger of —
 - \$1,000, or
 - Your earned income (up to \$5,750) plus \$350.
- Yes. You must file a return if any of the following apply.
- Your unearned income was over \$2,200 (\$3,400 if 65 or older and blind).
 - Your earned income was over \$7,300 (\$8,500 if 65 or older and blind).
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than —

The larger of:

 - \$2,200, or \$3,400 if 65 or older and blind.
 - Your earned income (up to \$5,750) plus \$1,550 (\$2,750 if 65 or older and blind).

Other Situations When You Must File A 2013 Return

You must file a return if any of the three conditions below apply for 2013.

1. You owe any special taxes, including any of the following.
 - a. Alternative minimum tax.
 - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file Form 5329 by itself.
 - c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file Schedule H by itself.
 - d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
 - e. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional tax on health savings account distributions. See the instructions for line 63 on page 42.
 - f. Recapture taxes. See the instructions for line 44, that begin on page 33, and line 63, on page 42.
 - g. Additional tax on a health savings account from Form 8889, Part III.
2. You had net earnings from self-employment of at least \$400.
3. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Adoption Credit

Maximum credit for a child with special needs	\$ 12,970
Other adoptions, qualified expenses	Up to \$ 12,970
Phaseout range, modified adjusted gross income	\$194,580 - \$234,580

Section 179 Expense

Expense Limit	\$ 500,000
Phaseout Threshold	\$ 2,000,000

FICA (SS & Medicare) Wage Base

Social Security Wage Base	\$ 113,700
Maximum Social Security Tax	\$ 7,049
Medicare Wage Base	No ceiling
Maximum Medicare Wage Tax	No ceiling

Student Loan Interest Deduction

Maximum interest deduction	\$ 2,500
Modified Adjusted Gross Income Phaseout:	
Married Filing Jointly	\$125,000 to \$155,000
Single/HOH	\$ 60,000 to \$ 75,000

Qualifying Child

A qualifying child for purposes of the child tax credit must be all of the following:

1. Claimed as your dependent on line 6c of Form 1040 or Form 1040A.
2. Under age 17 at the end of 2013.
3. Your:
 - a. Son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild), or
 - b. Brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew) whom you cared for as you would your own child, or
 - c. Foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child).
4. A U.S. citizen or resident alien.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final.

Kidnapped child. A kidnapped child is treated as a qualifying child for the child tax credit if both of the following statements are true:

1. The child is presumed by law enforcement authorities to have been kidnapped by someone who is not a member of your family or the child's family.
2. The child qualified as your dependent for the part of the year before the kidnapping.

This treatment applies for all years until the child is returned. However, the last year this treatment can apply is the earlier of:

1. The year there is a determination that the child is dead, or
2. The year the child would have reached age 16.

Dependent Care Credit Limitations

To determine the amount of your credit, multiply your work-related expenses (after applying the earned income and dollar limits) by a percentage. This percentage depends on your adjusted gross income shown on Form 1040, line 37, or Form 1040A, line 21. The following table shows the percentage to use based on adjusted gross income. The maximum eligible to be multiplied by these percentages is \$3,000 per child, maximum of \$6,000 per return.

IF your adjusted gross income is:		Then the percentage is:
Over	But not over	
\$ 0	\$15,000	35%
15,000	17,000	34%
17,000	19,000	33%
19,000	21,000	32%
21,000	23,000	31%
23,000	25,000	30%
25,000	27,000	29%
27,000	29,000	28%
29,000	31,000	27%
31,000	33,000	26%
33,000	35,000	25%
35,000	37,000	24%
37,000	39,000	23%
39,000	41,000	22%
41,000	43,000	21%
43,000	No limit	20%

Comparison of Education Credits

Lifetime Learning Credit	American Opportunity
Up to \$2,000	Up to \$2,500 / Up to 40% is refundable
Maximum lifetime learning rate is 20%	100% of first \$2,000 plus 25% of next \$2,000
Available for all years of post-secondary education and for courses to acquire or improve job skills	Available for four years of college
Available for an unlimited number of years	Only available for 2009 through 2013
Student does not need to be pursuing a degree or other recognized educational credential	AGI Phase Out between \$80,000 - \$90,000 (160K - 180K)
Available for one or more courses	Student must be enrolled at least half time for at least one academic period beginning during the year.
Felony drug conviction rule does not apply	As of the end of 2013, the student had not been convicted of a felony for possession or distributing a controlled substance.

Lifetime Learning Credits Phaseout

Modified adjusted gross income phaseout :

Married Filing Jointly	\$107,000 to \$127,000
All other Filing Statuses	\$ 53,000 to \$ 63,000

Refundable American Opportunity

Modified adjusted gross income phaseout :

Married Filing Jointly	\$160,000 to \$180,000
All other Filing Statuses	\$ 80,000 to \$ 90,000

Social Security Payback

At full retirement age or older	No limit on earnings
Under full retirement age	\$1 in benefits will be deducted for each \$2 you earn above \$15,120.
In the year you reach full retirement age	Your benefits will be reduced \$1 for every \$3 you earn above \$40,080.

* For 2013, full retirement age is 66 years.

Earned Income Credit

Single, Head of Household, and Qualifying Widow(er)	Earned Income Ranges to Receive the Maximum EIC		Maximum EIC Amount	Maximum Earnings Before EIC Eliminated
	AT LEAST	BUT LESS THAN		
With No Children	\$ 6,350	\$ 8,000	\$ 487	\$ 14,340
With One Child	\$ 9,550	\$ 17,550	\$ 3,250	\$ 37,870
With Two Children	\$ 13,400	\$ 17,550	\$ 5,372	\$ 43,038
With Three Children	\$ 13,400	\$ 17,550	\$ 6,044	\$ 46,227

Married Filing Jointly	Earned Income Ranges to Receive the Maximum EIC		Maximum EIC Amount	Maximum Earnings Before EIC Eliminated
	AT LEAST	BUT LESS THAN		
With No Children	\$ 6,350	\$ 13,350	\$ 487	\$ 19,680
With One Child	\$ 9,550	\$ 22,900	\$ 3,250	\$ 43,210
With Two Children	\$ 13,400	\$ 22,900	\$ 5,372	\$ 48,378
With Three Children	\$ 13,400	\$ 22,900	\$ 6,044	\$ 51,567

The maximum amount of investment income you can have and still receive EIC has increased to \$3,300.

Earned Income Credit in a Nutshell

First, you must meet all the rules in this column.	Second, you must meet the rule in one of these columns, whichever applies.		Third, you must meet the rule in this column.
Part A Rules for Everyone	Part B Rules if You Have a Qualifying Child	Part C Rules if You Do Not Have a Qualifying Child	Part D Figuring and Claiming the EIC
<ol style="list-style-type: none"> Your adjusted gross income (AGI) must be less than \$46,227 (\$51,567 for married filing joint) if you have three qualifying children. \$43,058 (\$48,378 for married filing joint) if you have two qualifying children. \$37,870 (\$43,210 for married filing joint) if you have one qualifying child. \$14,340 (\$19,680 for married filing joint) if you do not have a qualifying child. You must have a valid social security number. Your filing status cannot be "married filing separate." You must be a U.S. citizen or resident alien all year. You cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income). Your investment income must be \$3,300 or less. You must have earned income. 	<ol style="list-style-type: none"> Your child must meet the relationship, age, and residency tests. Your qualifying child cannot be used by more than one person to claim the EIC. You cannot be a qualifying child of another person. 	<ol style="list-style-type: none"> You must be at least 25 but under age 65. You cannot be the dependent of another person. You cannot be a qualifying child of another person. You must have lived in the United States more than half of the year. 	<ol style="list-style-type: none"> Your earned income must be less than \$46,227 (\$51,567 for married filing joint) if you have three qualifying children. \$43,038 (\$48,378 for married filing joint) if you have two qualifying children. \$37,870 (\$43,210 for married filing joint) if you have one qualifying child. \$14,340 (\$19,680 for married filing joint) if you do not have a qualifying child.

Exemption Amounts

Personal and Dependent	\$ 3,900
Estate Amount	\$ 600
Simple Trust *	\$ 300
Complex Trust *	\$ 100

* Exemption Not Allowed in Final Year.

Domestic Production Activities Deduction

The deduction rate for 2013 is 9%

Deduction reduced by 3% if the taxpayer has any oil related qualified production activities income

Kiddie Tax

2013 Age Limit up to 18, and certain under 24

2013 Unearned Income Limitation \$2,000

Foreign Earned Income

2013 Maximum Exclusion \$97,600

Gift Tax

2013 Exclusion \$ 14,000

2013 Exclusion for gift to spouse who is not a U.S. Citizen \$ 143,000

401(K) Contribution Limits

2013 Maximum Deferral \$ 17,500

2013 Catch Up Contributions for taxpayers 50 and over \$ 23,000

Long-Term Capital Gains and Qualifying Dividends

Single up to	\$ 36,250	0%
Single	\$ 36,250 - \$ 400K	15%
Single Over	\$ 400K	20%
Married up to	\$ 72,500	0%
Married	\$ 72,500 - \$ 450K	15%
Married Over	\$ 450K	20%
HOH up to	\$ 48,600	0%
HOH	\$ 48,600 - \$ 425K	15%
HOH Over	\$ 425K	20%
Tax on unrecaptured Sec. 1250 gain		25%
Capital gain rate on collectibles		28%

Savings Bond/Higher Education Expense Exclusion

Modified adjusted gross income phaseout range:

Married Filing Joint \$ 112,050 - \$ 142,050

All other filing status \$ 74,700 - \$ 89,700

Qualified Transportation Fringe Benefit Exclusion

Commuter highway vehicle and transit pass \$245

Qualified parking \$245

Long-Term Care Premiums

Maximum premium (per person)

Age 40 or under \$ 360

Age 41 to 50 \$ 680

Age 51 to 60 \$ 1,360

Age 61 to 70 \$ 3,640

Age 71 or over \$ 4,550

Alternative Minimum Tax

First \$179,500 (\$89,750 married, separate) of Alternative Minimum Taxable Income 26%
Over \$179,500 of Alternative Minimum Taxable Income 28%

Exemptions:

Married Filing Jointly or Qualifying Widow(er)	\$ 80,800
Married Filing Separate	\$ 40,400
Single or Head of Household	\$ 51,900

Exemption Phaseout :

25% of amount AMTI exceeds:

Filing Status	AGI Begin Phaseout	AGI Fully Phaseout
MFJ/Surviving Spouse	\$ 153,900	\$ 477,100
Married Filing Separate	\$ 76,950	\$ 238,500
Single/HOH	\$ 115,400	\$ 323,000

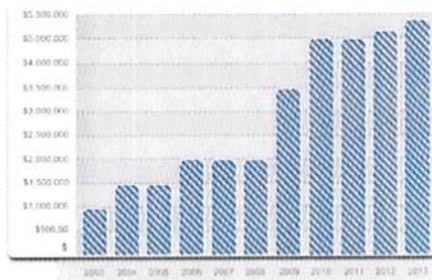
Where to Deduct Your Interest Expense

IF you have...	THEN deduct it on...	AND for more information go to...
Deductible student loan interest	Form 1040, line 33 or Form 1040A, line 18	Publication 970
Deductible home mortgage interest and points reported on Form 1098	Schedule A (Form 1040), line 10	Publication 936
Deductible home mortgage interest <i>not</i> reported on Form 1098	Schedule A (Form 1040), line 11	Publication 936
Deductible points not reported on Form 1098	Schedule A (Form 1040), line 12	Publication 936
Deductible investment interest (other than interest incurred to produce rents or royalties)	Schedule A (Form 1040), line 14	Publication 550
Deductible business interest (non-farm)	Schedule C or C-EZ (Form 1040)	Publication 535
Deductible farm business interest	Schedule F (Form 1040)	Publications 225 and 535
Deductible interest incurred to produce rents or royalties	Schedule E (Form 1040)	Publications 527 and 535
Personal interest	Not Deductible	

2013 Standard Mileage Rates

Business Mileage	56.5 cents / mile
Charitable Mileage	14 cents / mile
Medical/Moving Mileage	24 cents / mile

Estate Exemption



*2010 5,000,000 (or N/A if elected to file B939)

Tax Rate Schedules - Single

TAXABLE INCOME:		TAX:		
Over	But not over	Tax	+%	On amount over
\$ 0	\$ 8,925	\$.00	10%	\$ 0
8,925	36,250	892.50	15%	8,925
36,250	87,850	4,991.25	25%	36,250
87,850	183,250	17,891.25	28%	87,850
183,250	398,350	44,603.25	33%	183,250
398,350	400,000	115,586.25	35%	398,350
400,000	.....	116,163.75	39.6%	400,000

Tax Rate Schedules - Head of Household

TAXABLE INCOME:		TAX:		
Over	But not over	Tax	+%	On amount over
\$ 0	\$ 12,750	\$.00	10%	\$ 0
12,750	48,600	1,275.00	15%	12,750
48,600	125,450	6,652.50	25%	48,600
125,450	203,150	25,865.00	28%	125,450
203,150	398,350	47,621.00	33%	203,150
398,350	425,000	112,037.00	35%	398,350
425,000	.....	121,364.50	39.6%	425,000

Tax Rate Schedules - Married Filing Separate

TAXABLE INCOME:		TAX:		
Over	But not over	Tax	+%	On amount over
\$ 0	\$ 8,925	\$.00	10%	\$ 0
8,925	6,250	892.50	15%	8,925
36,250	73,200	4,991.25	25%	36,250
73,200	111,525	14,228.75	28%	73,200
111,525	199,175	24,959.75	33%	111,525
199,175	225,000	53,884.25	35%	199,175
225,000	.....	62,923.00	39.6%	225,000

Tax Rate Schedules - Married Filing Jointly or Qualifying Widow(er)

Taxable income:		Tax:		
Over	But not over	Tax	+%	On amount over
\$ 0	\$ 17,850	\$.00	10%	\$ 0
17,850	72,500	1,785.00	15%	17,850
72,500	146,400	9,982.50	25%	72,500
146,400	223,050	28,457.50	28%	146,400
223,050	398,350	49,919.50	33%	223,050
398,350	450,000	107,768.50	35%	398,350
450,000	.....	128,846.00	39.6%	450,000

2013 Corporate Tax Rates

TAXABLE INCOME:		TAX:		
Over	But not over	Tax	+%	On amount over
\$ 0	\$ 50,000	\$ 0	15%	\$ 0
50,000	75,000	7,500	25%	50,000
75,000	100,000	13,750	34%	75,000
100,000	335,000	22,250	39%	100,000
335,000	10,000,000	113,900	34%	335,000
10,000,000	15,000,000	3,400,000	35%	10,000,000
15,000,000	18,333,333	5,150,000	38%	15,000,000
18,333,333	.....	.....	35%	0

A qualified personal service corporation is taxed at a flat rate of 35% on taxable income.

2013 Estate and Trust Tax Rates

TAXABLE INCOME:		TAX:		
Over	But not over	Tax	+%	On amount over
\$ 0	\$ 2,450	\$.00	15.0%	\$ 0
2,450	5,700	367.50	25.0%	2,450
5,700	8,750	1,180.00	28.0%	5,700
8,750	11,950	2,034.00	33.0%	8,750
11,950	.....	3,090.00	39.6%	11,950

Traditional IRA Limits

IRA Contribution Limits	
Regular Contributions: 2013 Maximum Contribution	\$5,500
"Catch Up" Contributions for Taxpayers 50 and over: 2013 Catch up	\$6,500

Phaseout of IRA Deductions

Filing Status	AGI Begin Phaseout	AGI Fully Phased out
Single <small>(or Married Filing Separate and lived apart from spouse for all of 2012)</small>	\$59,000	\$69,000
Married Filing Jointly <small>(\$178,000 if spouse is not covered by a pension plan)</small>	\$95,000	\$115,000 <small>(\$188,000 if spouse is not covered by a pension plan)</small>
Married Filing Separate	\$ 0	\$ 10,000
Head of Household	\$59,000	\$69,000
Qualifying Widow(er)	\$95,000	\$115,000

