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TAX SMART NEWSLETTER

HAPPY NEW YEAR!!!

2014 Tax Season Delay

There will be a delay in when the IRS will be accepting and processing returns due to the 16 day Government Shutdown, which occurred earlier this year. The 2014 filing season will not start until January 31, 10 days later than originally scheduled. The due date for returns remains April 15. According to the IRS Commissioner, the late January opening will give them enough time to get things right with their programming, testing and systems validation. It is their desire to provide a smooth filing and refund process for the nation's taxpayers.

Tax Planning Tips

It is time to face your financial future and begin planning for you future. Most people wait until it is too late to plan and when tragedy strikes or retirement comes, they do not know what to do. Here are a few helpful tips to keep in mind:

- Stay in control of your finances by budgeting
- Focus on short term goals as well as long term goals
- Try cutting as much debt as possible
- If possible start saving between 10% -15% for retirement
- Begin estate planning early by talking to a financial advisor or prepping a will.

Affordable Care Act (Obama Care)

Most people are wondering how the new Affordable Care Act will affect them in 2015. For income tax purposes, individuals need to be aware that their refund checks are going to be subject to deductions for not complying with having insurance. At tax time if you have not complied, penalties will come out of your refund check.

Small Business Tax Credits

Some small business owners may be able to offer their employees new health plan choices under the Affordable Care Act and may be eligible for tax credits up to 35% of the cost of providing the insurance.

Earned Income Tax Credit

Earned Income Tax Credit, sometimes called EIC is a tax credit to help you keep more of what you earned. It is a refundable federal income tax credit for low to moderate-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. When EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

Dependents Who File Their Own Returns

For taxpayers who have dependents who they file their own returns, be aware that your dependent should not claim their own exemption if it is your intent to claim their dependency exemption on your tax return. Your children can file a return, but they cannot claim themselves. The result of them claiming themselves will cause your return to be rejected by the IRS and nevertheless result in a delay in the filing of your return and receiving your refund.

Education Credits

- American Opportunity Credit-which is a temporary expansion of the Hope Credit, increasing its availability from 2 years to 4 years and allowing the cost of required course materials (books, supplies, and equipment) that is not paid to the educational institution to be an eligible expense. You, your spouse, or dependent may qualify for a refundable credit on your return as an eligible student if you meet the requirements. Please note that if have a qualified dependent that will file his/her own return they cannot claim the credit on their return.

- Lifetime Learning Credit can be claimed for an unlimited number of years. The Lifetime Learning Credit is 20% of the first $10,000 of qualified expenses paid for all eligible students included on the tax return, for a $2,000 limit per tax return per year. The credit is taken on the parent's return if the student is a qualified dependent and on the student's return if, they are not a dependent of someone else.

Employee Business Expenses

If you are an employee, you may be able to deduct your work related expenses as an itemized deduction (subject to limitations). You must keep records to prove the necessary and reasonable expenses you are trying to deduct. If your employer reimbursed you or gave you an advance or allowance for your employee business expenses, none of the payments will be included on your W2 and none of the reimbursed amounts qualify as a deduction on your tax return.

Tuition and Fees Deduction

You may be able to deduct qualified education expenses paid during the year for yourself, your spouse, or your dependent(s). You cannot claim this deduction if your filing status is married filing separately or if another person can claim an exemption for you as a dependent on his or her tax return. The tuition and fees deduction can reduce the amount of your income subject to tax by up to $4,000. This deduction may be beneficial

to you if you do not qualify for the American Opportunity or Lifetime Learning credits due to income phaseouts.

Child Tax Credit

The child tax credit is a credit that may reduce your tax by as much as $1,000 for each of your qualifying dependents. **The additional child tax credit** is a credit you may be able to take if you are not able to claim the full amount of the child tax credit. Remember, the qualifying person must be under the age of 17 before January 1, 2014.

Itemized Deductions for Medical Expenses

New to the 2014 tax season is a change to the amount you can claim to itemize for medical deductions. You can claim deductions for medical not covered by your health insurance that exceeds 10% of your adjusted gross income. This means that you need more deductions in order to qualify than you did last year since it has gone from 7.5% to 10%.

There is a temporary exemption from Jan 1, 2013 until December 31, 2016 for individuals age 65 or older and their spouses. If you or your spouse is 65 years or older or turned 65 during the tax year, you will qualify to deduct unreimbursed medical care expenses that exceed 7.5% of your adjusted gross income.

Alimony

Not all payments under a divorce or separation instrument are alimony. Alimony does not include the following:

- Child support
- Noncash property settlements
- Payments that are your spouse's part of community income
- Payments to keep up the payer's property
- Use of the payer's property

Records for Cash Contribution

Bank records, a receipt, or payroll deduction records are sufficient to document cash contributions of less than $250. A contribution of $250 or more is deductible only if the donor has a contemporaneous written acknowledgment from the charitable organization that includes all of the following information:

- The amount of cash contributed
- A description (but not the value) of any donated property
- Whether the organization provided any goods or services to the donor in return for the contribution
- A description and estimate of the value of any goods and services that the organization provided to the donor
- If only intangible religious benefits were provided, a statement to that effect

Record for Noncash Contributions

The records taxpayers must keep for noncash contributions depend on the value of the contribution. One option to substantiate these donations is to have a written receipt from the charity that gives the organization's name, date and place of the contribution, and a detailed description of the property. It may not be possible to obtain a receipt from the

charity, so the IRS will also accept reliable written records to substantiate the donations. These records must contain the same information that would be on the receipt as well as the fair market value of the property on the contribution date, how the fair market value was calculated, the cost or basis of the property, any terms or conditions attached to the gift, and the amount of deduction claimed.

Identity Theft Protection for South Carolina Residents

CSID, a leading provider of global enterprise-level identity protection and fraud detection technologies and solutions will assist South Carolina taxpayers with state-provided identity protection coverage beginning October 24, 2013. The deadline for enrollment is October 1, 2014. You can enroll by the following ways:

- Logon to www.scidprotection.com or
- Call 855-880-2743

Indications That Your Identity May Have Been Stolen

Your identity may have been stolen if you receive a letter from the IRS stating or learning from a tax professional that…

- You filed more than one tax return or someone has already filed using your information.
- You have a balance due, refund offset, or have had collection actions taken against you for a year you did not file.
- You received wages from an employer you have not worked for

Refund Payment Options

We no longer offer the Refund Anticipation Loans (RAL) but we do offer Refund Transfers (RT) or regular E-file by check or direct deposit.

Cancellation of Debt

If you receive a 1099-C for a cancellation of debt or a 1099-A for Acquisition of Abandonment of Secured Property, it must be included in income on the tax return for that year. You may be eligible to exclude this income if you meet certain requirements.

Teacher Supplies and Materials

There is a new temporary refundable income tax credit for certified public school teachers, certified special school classroom teachers, certified media specialist, and certified guidance counselors who are employed by a school district or a charter school as of November 30 of the current fiscal year. This credit is for those that are not eligible for the teacher supply reimbursement. The credit is the lesser of $275 or the amount spent on supplies and materials. The reimbursement is not considered taxable income by South Carolina. The return claiming the credit must be filed on or before June 30, 2014. The return can be an original or amended and may be for expenses made after December 31, 2013.

Business Personal Property (PT-100)

All South Carolina businesses must file a form PT-100 annually detailing all personal property involved in their operations. A separate form for every business location has to be filed. Not filing this return by the April 15 due date will result in the government estimating the assets you are using in your business, which will render you a high property tax bill.