

2014 Tax Time Has Arrived!

We hope you had a great holiday season. Now that the New Year has arrived and Congress has passed several new tax laws, it's time to think about taxes again. We are excited to be able to serve you in one of our three offices along the Wasatch Front which are in Salt Lake City, Orem and Heber City or as always through the wonderful word of technology which allows us to reach around the globe. As your trusted CPAs, we have included a few important items that will help you get ready for this tax season.

1. Individual Tax Organizer (included) - Included in this packet is a tax organizer for your 2013 taxes which is up-to-date with the most recent tax law changes. As your tax documents arrive over the next few weeks, you can complete either this form or the electronic version described below. Upon completion, please provide to us any detailed tax documents (via e-mail, fax, or drop them by one of our offices) and we can begin preparing your 2013 tax returns.
2. Tax Prep Toolkit (electronic) - For those of you who like gadgets, we have a great web application to make your life as easy. Navigate to www.daviesallen.com/taxpreptoolkit and enjoy the convenience of technology.
3. Davies Allen Top 10 Tax Law Changes (included) – It's very likely you will be personally affected by at least one of these 10 changes to the tax law. This document is not all-inclusive, but will give you a great understanding of the tax law changes for 2013.
4. 1099 Filings – If your business pays rents, contract labor, non-employee compensation (independent contractors) or attorneys – you may have a requirement to file and send 1099s. These filings must be sent by January 31st and filed by February 28th. In addition, the IRS now requires you to sign under Penalties of Perjury on your income tax returns if you have properly issued and filed your 1099s. Please contact us with questions and we can assist you.
5. Start of Filing Season – You can get a head start this year on filing business tax returns on January 13th and personal tax return on January 31st.
6. Setting up an appointment – You can call Wendy at (801) 225-5854 to get an appointment scheduled. You can also email Brad or J.W. with your tax information when ready.
7. Key E-Mail Addresses –
 - a. J.W. Davies – jw@daviesallen.com
 - b. Brad Allen – brad@daviesallen.com
 - c. Wendy Dalton – wendy@daviesallen.com (for appointments)

Happy New Year!

Davies Allen, P.C.

PERSONAL INFORMATION

Taxpayer: _____
(First) (Middle) (Last) (Birthday) (Social Security Number)

Spouse: _____
(First) (Middle) (Last) (Birthday) (Social Security Number)

Home Address: _____ **Email Address:** _____
Home Telephone: _____ **Cell Phone:** _____

DEPENDENTS (children & others that reside in your home that you feel might be qualified to be claimed by you as a dependent)

| Name | Social Security Number | Birthday | Student Status | | Year | Tuition/Books Paid (Form 1098T) | Live At Home |
|------|------------------------|----------|----------------|-----------|-------------|---------------------------------|--------------|
| | | | Full | Half Time | | | |
| | | | | | Fr Sp Jr Sn | | Y or N |
| | | | | | Fr Sp Jr Sn | | Y or N |
| | | | | | Fr Sp Jr Sn | | Y or N |
| | | | | | Fr Sp Jr Sn | | Y or N |
| | | | | | Fr Sp Jr Sn | | Y or N |

INCOME

If you have income from any of the following sources please provide supporting forms and documents)

| | |
|--|--|
| Wages (W-2's) | State tax refunds (1099-G) |
| Interest Income (1099-INT) | Sales of Real Estate |
| Dividend Income (1099-DV) | Partnership/S-Corporation/Trust/Estate (K-1) |
| Stock Sales (1099-B) | Rental Income (1099-MISC) |
| IRA Distributions/Retirement Income (1099-R) | Royalty Income (1099-MISC) |
| Commissions (1099-MISC) | Prizes and Awards (1099-MISC) |
| Unemployment Income (1099-G) | Farming Government Programs (1099-G) |
| Social Security Income (1099-SSA) | Debt Forgiveness (1099-C) |

ESTIMATED TAX PAYMENTS

Did you make estimated income tax payments this year?

If so, please fill out the schedule below.

| Statutory Date | Federal Payments | | State Payments | |
|----------------|------------------|----------------|----------------|----------------|
| | Date Paid | Payment Amount | Date Paid | Payment Amount |
| 4/17/2013 | | \$ | | \$ |
| 6/15/2013 | | \$ | | \$ |
| 9/17/2013 | | \$ | | \$ |
| 1/15/2014 | | \$ | | \$ |

IRA CONTRIBUTIONS

Have you or will you make any of the following IRA contributions for 2012?

If so, please fill out the schedule below.

| | Date Paid | Amount |
|----------------------------|-----------|--------|
| Traditional IRA - Taxpayer | | \$ |
| Traditional IRA - Spouse | | \$ |
| Roth IRA - Taxpayer | | \$ |
| Roth IRA - Spouse | | \$ |

ADDITIONAL ITEMS:

Have you made/received alimony payments? Y / N Have you made payments for childcare? Y / N
If so, please provide the amount, name and SS# of recipient. If yes, please provide name, tax id# and amount of payments.

ELECTIONS

Would you like any refunds directly deposited? Y / N Can the preparer speak with taxing authorities about return? Y / N
Routing Number: _____ Apply refunds to next year's estimated tax payments? Y / N
Account Number: _____

ITEMIZED DEDUCTIONS

MEDICAL

Does your employer offer a cafeteria plan? Yes No
 Do you participate in the cafeteria plan? Yes No
 Do you have an HSA/Account? Yes No
 If so, is it through an employer or your own? _____

Insurance (please list amounts paid)

Accident (Not Automobile) \$ _____
 Cancer \$ _____
 CHIP \$ _____
 Dental \$ _____
 Health \$ _____
 Long Term Care \$ _____
 Medicare \$ _____
 Medicare Supplement \$ _____
 Contact Lenses \$ _____
 Amount Pd pretax (Cafeteria Plan) \$ _____

Other Medical Expenses

Prescription medicines & drugs \$ _____
 Doctors, dentists, and nurses \$ _____
 Hospitals and nursing homes \$ _____
 Glasses and contact lenses \$ _____
 Hearing aids \$ _____
 Amount reimbursed by insurance \$ _____
 Travel for medical (in miles) _____

TAXES

Personal Property Tax

Boats, Trailers, Etc. \$ _____
 Automobiles (Not in Utah) \$ _____
 Sales Tax on Large Purchases \$ _____
 Sales Tax on New Vehicle \$ _____

Real Estate Tax

Principle Residence \$ _____
 Second Residence \$ _____
 Investment Property \$ _____
 Other \$ _____

Other Items that might have income tax consequences

(i.e. Adoptions, Un-incorporated businesses, rental properties)

AUDIT INSURANCE

Would you be interested in purchasing or learning more about our IRS & State Correspondence insurance for audits? Y / N

INTEREST

Real Estate

Residence Mortgage (Banks) \$ _____
 Residence Mortgage (Others) \$ _____
 Name _____
 EIN _____
 Mortgage Insurance \$ _____
 Points, Origination Fees \$ _____

CHARITABLE CONTRIBUTIONS

Do you have written documentation for your contributions?
 Yes No

Cash Contributions

| Organization | Amount |
|--------------|----------|
| _____ | \$ _____ |
| _____ | \$ _____ |
| _____ | \$ _____ |
| _____ | \$ _____ |

Out of Pocket Expenses

Non-Cash Contributions (DI, Goodwill, Salvation Army)

Travel for Charitable Organizations

Mileage _____

MISCELLANEOUS DEDUCTIONS

Class Room Supplies (Teachers) \$ _____
 Equipment for Employment \$ _____
 Gambling Losses \$ _____
 Job Hunting Costs \$ _____
 Other Job Expenses \$ _____
 Professional Education \$ _____
 2nd Telephone Required by work \$ _____
 Uniform Laundry \$ _____
 Uniforms \$ _____
 Union & Professional dues \$ _____
 Investment Advice, Estate & Tax _____
 Planning Fees \$ _____

FOREIGN BANK ACCOUNTS

Do you have more than \$10,000 in any foreign bank accounts?
 If so, please provide details. _____

COPY OF TAX RETURN

Would you like a hard bound copy of your tax returns? Y / N

By submitting this information to Davies Allen, P.C. I hereby certify that this information is accurate and true to the best of my knowledge.

Signature: _____

Date: _____

The Davies Allen Top 10

There are several changes to the 2013 income tax law. We have included our Top 10 with a short explanation as to how the law changes may affect you personally and any businesses you own. As always, please contact us and we can discuss these tax changes along with the many other changes not included in this letter. We are big believers in proper planning that will allow you to minimize your tax burden.

Key laws passed, extended or not extended (The Davies Allen Top 10)

1. New 39.6% tax rate - All prior tax rates for each tax bracket remain as is. If your taxable income is more than \$450,000 on a joint return or \$400,000 on a single return, the 39.6% rate applies when you reach the \$450,000 or \$400,000 thresholds. For those who are at this level of taxable income, it will be important to keep income as smooth as possible from year to year and avoid large spikes, if possible.
2. Capital Gains – We have **three** capital gains rates for 2013. 0% if you are in the 10% or 15% brackets, 15% if you are in the 25%, 28%, 33% and 35% brackets and 20% if you are in the top bracket of 39.6%. We spent a considerable amount of time planning around a proposed change in capital gains rates. With the 0% rate still in force, there are strategic decisions to be made for any of you that may be in those brackets. State income tax laws still apply and have never been 0%, but strategies exist to take advantage of these lower rates while they last.
3. Itemized Deduction Phase-out – The total amount of itemized deductions will begin to be reduced (phase-out) when your income reaches \$300,000 for joint returns and \$250,000 for single returns. The reduction of itemized deductions can not exceed 80% of your total itemized deductions. There was a lot of speculation as to whether the mortgage interest deduction or charitable donation deduction would be taken away at higher income levels. Instead of eliminating one deduction over another, Congress chose a reduction of the overall itemized deduction amount.
4. Estate Tax – The exclusion amount of \$5 million was retained and indexed for inflation (\$5.12 million for 2012). In addition, in the case of a surviving spouse, their exemption amount of the

same \$5.12 million can be increased by any unused amount from their deceased spouse. This means that it's possible to have a \$10.24 million exemption. The rate was changed to 40% from 35% for taxable estates. Maintaining the current exclusion, indexing it to inflation and keeping the spousal portability are very large victories for business owners, family farmers and individuals who've accumulated wealth over time that has already been taxed once.

5. AMT Patch – The Alternative Minimum Tax has now been permanently indexed to inflation. This change affects everyone in the 25%, 15% and 10% brackets, which was estimated to be 30 million taxpayers in 2012.
6. Child Tax Credit – This credit is was set to be \$500 per qualifying child in 2013. The bill increased this amount back to \$1,000. This provision is effective until 2018. This credit is most utilized when your taxable income is \$150,000 or less.
7. Tuition Credits – Much like the child tax credit, the generous college tuition credit was extended for another 5 years. This is most utilized when income is less than \$160,000.
8. Depreciation – Immediate expensing of new or used equipment was extended to match 2012 levels (\$139,000). It was set to drop to \$25,000. In addition, all brand new equipment can be expensed at 50%. This is a big win for business owners compared to what the 2013 laws would have been. The \$139,000 limit for immediate expensing still represents a large drop from 2009-2011 levels. If your business is equipment intensive, there are strategies that can be utilized to maximize depreciation.
9. Social Security Tax Increase - Employee portion of Social Security will increase back to 6.2% from 4.2%. Employee's net pay will drop by 2% effective January 1, 2013.
10. "Obamacare" Tax Increases – Effective January 1, 2013, there are some new tax increases coming into play as a result of the Affordable Care Act. Medicare taxes increase to 3.8% for joint returns with \$250,000 of adjusted gross income.
 - a. **Wages** – If your W-2 wage is in excess of \$250,000 for a joint return or \$200,000 for single returns, you will be required to pay an additional .9% either by withholding or on your tax return. Employees already have 1.45% withheld from W-2 pay, which is then matched by the employer for a total of 2.9%. The .9% cost is paid 100% by the employee.
 - b. **Investment Income** – If your W-2 wages are less than the \$250,000 / \$200,000 threshold, but your total adjusted gross income is still above those levels, you will have to pay a new 3.8% Medicare tax on your individual tax return for all "net investment income" which put you over the \$250,000 / \$200,000 threshold. This extra Medicare tax will only be assessed on income in excess of the thresholds above. Net investment income will generally be interpreted to be all types of "passive" income such as interest, rents, royalties, capital gains, dividends, etc. If this new tax might apply to you, we recommend a more specific planning session to determine what options you have to minimize its effect.