TAX TIPS

Ultimate Tax & Accounting Group, Inc. Tax Tips for filing a 2014 Return and preparing for tax year 2013.

Audits

Audits - Notices

If you receive an audit notice from the IRS, you need to acknowledge it and respond promptly. Contact your local Ultimate Tax & Accounting Group office before you send any information or additional money to the IRS. There may be an error in the amount that the IRS claims you owe. Ultimate Tax & Accounting Group offers free audit assistance to all customers.

Audits - Red Flags

There are circumstances that may be red flags. If a closed corporation of which you are a shareholder has had its return examined, you may also receive an audit notice. Are your business expenses or charitable contributions high in relation to your income? These circumstances may also prompt an audit.

Automobile

Actual Expenses of Car

When you use a car for business, you may deduct the mileage expense by using either the standard mileage rate or the actual expenses of maintaining the vehicle. If you take the actual expenses, you can deduct the depreciation, gas, oil, insurance, tires, licenses, repairs, etc. If you choose to take actual expenses when you first start using the car for business, you cannot change to the standard mileage rate deduction.

Business Mileage

If you use your car for business purposes, you may deduct 56.5 cents per mile in 2013 for un-reimbursed mileage. Be sure to keep a written record of your total mileage and business mileage.

Other Mileage

In addition to business mileage, did you know that other types of mileage are deductible if you can itemize? If you are involved in charity or volunteer work for a non-profit organization, you can deduct your mileage at 14 cents per mile. The mileage to and from a doctor or dentist's office or for moving is deductible at 24 cents per mile.

Passenger Automobile Limits - General

The IRS defines a passenger automobile as any four-wheeled vehicle made primarily for use on public roads that has an unloaded gross vehicle weight of 6,000 pounds or less. The depreciation limit for most passenger automobiles placed in service in 2012 is $3,160. This limit must be reduced if the business use is less than 100%.

Passenger Automobile Limits- Trucks & Vans
The depreciation limit for trucks and vans (including certain sport utility vehicles) used as passenger automobiles that were placed in service in 2012 is $3,360. This limit must be reduced if the business use is less than 100%.

Section 179 Expensing - Sport Utility Vehicles
The maximum section 179 deduction is limited to $25,000 for certain sport utility vehicles (SUVs) weighing more than 6,000 pounds, but not more than 14,000 pounds.

Vehicle Credits
The Alternative Motor Vehicle Credit includes nonrefundable credits for the following: hybrid motor vehicles, advanced lean-burn vehicles, fuel cell vehicles, and alternative fuel vehicles. You must purchase the vehicle for your own use and must be the original owner. Also, vehicles must be made by a manufacturer. Passenger automobiles and light trucks are covered. Different rules apply for heavier vehicles.

Fuel Cell Vehicles
The maximum credit for fuel cell passenger automobiles and light trucks is $12,000 for tax years 2006 through 2009. It is $8,000 for tax years 2010 through 2014.

Business/Job Related

Computer and Cellular Phone
If you purchased a computer or cellular phone and use it for business, you may be able to claim a depreciation deduction. Your employer must require you to have the phone or computer as a condition of employment, and you must use them for the convenience of your employer. You must keep a record of the personal and business use of the computer or phone to determine the percentage of business use.

Entertainment
If you incur entertaining costs for business reasons, you may be able to deduct 50% of the amount. The expense must be considered ordinary or necessary to your profession. Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation.

Job-Seeking Expenses
If you are looking for a job in your current profession and can itemize your deductions, certain expenses may qualify as miscellaneous deductions. Employment agency fees, resume printing, phone calls, and mailing expenses are examples of deductible items.

Job-related Expenses
Some of your job-related expenses that may be deducted include union dues, job-related magazines and books, and other related business expenses. Generally, you must depreciate the cost of tools used in your work. If your employer requires you to wear work clothes or

uniforms that are not suitable for everyday wear, you may deduct the cost and upkeep.

Moving Expenses
If you moved at least 50 miles in the last year and your move was job-related, you may be able to deduct the cost of moving your household good and your traveling expenses. The standard mileage rate for moving is 24 cents per mile for 2013. Allowable expenses are deductible whether or not you use Schedule A and itemize your deductions.

National Guard and Reserve Members
If you are a member of the National Guard or Reserves and you must travel away from home to perform your service (such as for a drill or a meeting) in a location that is more than 100 miles away from your home, you can take a deduction for related travel expenses as an adjustment to income, even if you do not itemize your deductions. Allowable expenses include expenses for overnight transportation, meals, and lodging. The amount of the allowable expenses cannot exceed the amount the federal government pays its employees for travel expenses.

Section 179 Expensing - General
If you purchase certain qualifying equipment, you may deduct all or part of the cost by electing to take a section 179 expense deduction. The maximum section 179 deduction for the year is $125,000.

Self-Employed health Insurance
If you are self-employed, you may deduct up to 100% of your medical insurance costs that cover yourself, your spouse, and your dependents as an adjustment to income. To do this, you (and your spouse if filing jointly) must not be eligible for coverage by an employer-subsidized health plan.

Start-Up and Organizational Costs
You may be able to claim a deduction of up to $5,000 for start-up and organizational costs. The deduction is reduced by the amount by which the start-up costs exceed $50,000. If you cannot deduct all your costs in the first year the business begins, amortize the remaining costs over 15 years.

Travel Expenses
You may be able to deduct business travel expenses if you must conduct business away from your tax home. The cost of transportation, lodging, laundry, dry cleaning, and telephone expenses are some of the deductible expenses. Generally, meals are only 50% deductible. If you are subject to the Department of Transportation hours of service limits, you may be able to deduct 75% of your meal expenses.

Tip Income - Record of Tips
Do you receive tips as part of your income? You must report all tips as wages on Form 1040. If you receive tips of $20 or more in one month, you must also keep a daily record of tips received and give your employer a written report of your tips for that month by the tenth day of

the next month.

Tip Income - Allocated Tips
If you receive tip income, and work for a large food or beverage establishment, your employer may be required to allocate an amount of tips to you on your Form W-2. Your employer must allocate tips if the amount of tips you reported to him is below the IRS required minimum percentage of gross sales. The difference is called allocated tips and is in box 8 of your Form W- 2. You will have to include these allocated tips in your income and also pay Social Security and Medicare tax on them.

Unemployment Compensation
Have you received unemployment compensation during the year? You must report unemployment compensation as income. State and federal unemployment insurance benefits, and railroad unemployment compensation benefits, are all considered taxable income. You can choose to have income tax withheld from any unemployment compensation you receive.

Casualty and Theft Loss

Casualty and Theft Loss - Home
Unfortunately, theft and natural disasters such as floods, tornadoes, and hurricanes occur. The good news is that you may get a tax break. Damage to your home and possessions which occurs due to theft, fire, storm, or another natural disaster is deductible if you itemize your deductions. The loss must first be reduced by any insurance or other type of reimbursement plus $100, and then by 10% of your adjusted gross income.

Casualty and Theft Loss - Auto
If you have been involved in an automobile accident, the damage to your car may be considered a casualty loss. This would apply if the loss were not due to your negligence or the negligence of someone driving your vehicle. The loss must first be reduced by any insurance or other reimbursement plus $100, and then by 10% of your adjusted gross income.

Casualty and Theft Loss - Proof of Casualty of Loss
To deduct a casualty or theft loss, you must be able to prove that a casualty or theft loss occurred and provide proof of the amount that you deduct. Each casualty or theft loss is reduced by any reimbursement and by $100, and is further reduced by 10% of your adjusted gross income.

Casualty and Theft Loss - Federal Disaster Area
If the President of the United States declares your area a federal disaster area, you have a choice of which tax year to deduct a casualty loss. You may deduct the loss for the year in which it occurred, or you may choose to amend your previous year's return and deduct the loss in that previous tax year for a faster refund.

Change of Address

Are you planning a move before the end of the year? The IRS has its own official change-of-address form, Form 8822, Change of Address. If you fill it out and mail it to the appropriate IRS service center, you should receive your tax booklet at your new address.

Charitable Contributions

Charitable Contributions - Required Documents

If you contributed to a church or qualified non-profit organization, these contributions can be deducted as an itemized deduction on Schedule A. The IRS requires you to keep a written acknowledgement from the church or organization for any contribution. Contributions must be substantiated either with a bank record or a written communication from the donee organization.

Charitable Contributions - Disasters

As you consider making charitable contributions to assist natural disaster victims, keep in mind that you can deduct your contributions only if you make them to a qualified organization. You can ask any organization whether it is a qualified organization, or you can investigate by calling the IRS (toll-free) at 1-877-829-5500 or by checking the online version of Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986 on the IRS Web site at http://apps.irs.gov/app/pub78. Churches and governments are usually qualified organizations even though they are not included in Publication 78.

Charitable Contributions - Vehicles

If you donate a vehicle that has a fair market value over $550, your deduction depends on what the charity does with the vehicle. For example, if the charity immediately sells the vehicle, your deduction may be limited to the gross proceeds from the sale. Also, substantiation requirements are stricter than with other charitable contributions. Charitable contributions are deducted on Schedule A.

Charitable Contributions - Fair Market Value

Extra tax deductions may be as close as your closet. If you donated clothing, toys, furniture, or other household items to charity, you are allowed to deduct the fair market value of your donated items. All goods donated must be in good condition to be eligible for a tax deduction. The IRS does not provide a guide to determine the fair market value. The IRS suggests surveying thrift and consignment stores for similar items to provide an indication of the fair market value.

Charitable Contributions - Charity Benefit or Event

Have you attended a charity benefit or event lately? You may be able to deduct the dollar amount that is more than the fair market value of the event. For example, you attend a dinner fundraiser for a qualified non-profit organization and your ticket price is $65. If the regular price of the meal would have been $10, your contribution amount would be $55.

Charitable Contributions - Exchange Students
If you have an American or foreign exchange student living in your home, you may be able to deduct up to $50 per month as a charitable deduction on Schedule A. You must have a written agreement from a qualified organization that provides the student program. The student must not be a relative and must be a full-time student at the high school level or below.

Charitable Contributions - Non-Qualified Organizations
Not every donation you make to a worthy cause is deductible as a charitable contribution. If you gave money to an individual in need or to an organization and specified that the contribution was for an individual, you are not allowed to deduct the amount given. When you donate to non-qualified organizations such as civic leagues or social clubs, you cannot take a tax deduction.

Charitable Contributions - Date of Contribution
You may usually deduct charitable contributions only in the year that you actually make them. A check that you mail is considered delivered on the date you mail it. A contribution charged on a credit card is deductible in the year you make the charge. The amount of your deduction may be limited depending on the type of property given and the type of organization to which it is given. Some contributions that you are not able to deduct in the current year because of adjusted gross income limits may be carried over to future years.

Child/Dependent

Uniform Definition of a Child
The Working Families Tax Relief Act of 2004 created a Uniform Definition of a Child effective starting with tax-year 2005. The definition of a child is the same for the following tax benefits

- ☐ Dependency exemptions
- ☐ Head of Household filing status
- ☐ Child and Dependent Care Credit
- ☐ Child Tax Credit
- ☐ Earned Income Credit

Under the uniform definition of a child a child is defined as follows:

A child is the natural child, stepchild, adopted child, or eligible foster child of a taxpayer. An adopted child and eligible foster child are further defined:

- ☐ Adopted child- A child legally adopted, or a child lawfully placed by an authorized placement agency for legal adoption; this child is treated as a child by blood
- ☐ Eligible foster child- A child placed by an authorized agency or by a judgment, decree, or other order of any court of competent jurisdiction

Adoption Credit
If you pay for adoption expenses, you may be able to take a credit for qualified adoption

expenses of up to $11,390 per child. If your modified adjusted gross income is over $170,820, the credit begins to be phased out. If your modified adjusted gross income is $210,820 or more, you do not qualify for the credit.

Child and Dependent Care - Child Care Expenses
If you are a working parent, or you were working and are now looking for work, you may be able to claim a credit for your child care expenses. The credit may be as much as $1,250 for the expenses for one qualifying child or $2,500 for more than one child, depending on your adjusted gross income.

Child and Dependent Care - Types of Provider Identification
If the care provider is a daycare center, the taxpayer identification number (TIN) is their employer identification number (EIN). If the provider is an individual, the TIN is the Social Security number. If the provider is a church or non-profit group and has no EIN, the words "tax exempt" can be substituted for the TIN.

Child and Dependent Care - In-Home Child Care
Do you pay someone to come into your home and provide child care while you work? If you do, you may actually be an employer who is required to pay employment taxes. If the person you pay provides care in their home, you would not be considered their employer.

Child and Dependent Care Credit - Combat Pay
To calculate the earned income amount for Form 2441, Child and Dependent Care Expenses, you can elect whether or not to include combat pay as earned income. This calculation may affect how much of your dependent care benefit is excluded from your income. You should calculate your return both ways (including and not including combat pay as earned income on Form 2441) to determine which gives you the more advantageous result.

Child Support
Do you pay child support? If you do, can that child be claimed as a dependent on your tax return? Unless dependency is specified in your divorce decree, the custodial parent is generally entitled to claim the child as a dependent. The custodial parent may sign IRS Form 8332, allowing the noncustodial parent to claim the child as a dependent. Child support is neither income to the recipient, nor a deduction for the payer.

Child Tax Credit - Qualifying Child
You may qualify for a credit of up to $1,000 for each qualifying child under age 17 at the end of the year. A Qualifying Child is your dependent who is your child, stepchild, adopted child, eligible foster child or descendent of such, or your sibling, stepsibling or descendent of such. The individual must have lived with you for more than half of the year and must not have provided more than half of their own support. Generally, the child must be a U.S. citizen or a U.S. national or resident for some part of the year.

Child Tax Credit - Refundable Credit
If you receive less than the maximum $1,000 per qualifying child for the Child Tax Credit

because it is limited to your tax liability, you may be entitled to receive all or part of your remaining Child Tax Credit as a refundable Additional Child Tax Credit.

Child Tax Credit - Combat Pay
Although combat pay is not included in income for purposes of calculating your federal income tax, combat pay is included as earned income when calculating the Additional Child Tax Credit. Because the amount of this credit is based in part on earned income, this could mean a higher credit for those with low taxable income.

Children's Investment Income
Does your child under age 18 have investment income? If they do, and the total amount is more than $1,700, part of the amount may be taxed at the parent's rate. The child may file a tax return, including Form 8615, Tax for Children Under Age 18 With Investment Income of More Than $1,700, or you may be able to file Form 8814, Parents' Election To Report Child's Interest and Dividends, and report your child's income on your return.

Dependents
To qualify as a dependent an individual must meet the following three tests:

☐ Cannot be a dependent of another taxpayer
☐ Cannot file a married filing jointly tax return
☐ Must be a citizen of the U.S. or a resident of the U.S., Canada, or Mexico during the year

Dependents fall into two specific categories: they are either a qualifying child or a qualifying relative.

Dependents - Qualifying Child
A qualifying child is any child who meets the following rules:

☐ Relationship Test- The individual must be a son, daughter, stepchild, foster child, sibling or descendant of either
☐ Residency Test- The individual must live with you for more than one half of the year
☐ Age Test- The individual must be under 19 or a full time student under 24
☐ Support Test- The individual must not provide more than one half of their own support

An individual may not be a qualifying child of another taxpayer if that taxpayer is not required to file a tax return, and if they do file it is to receive a refund of withholdings only.

Dependents - Qualifying Relative
A qualifying relative is any individual who is not a qualifying child and meets the certain tests. A qualifying relative can be an individual who bears no family relationship as long as they meet the following tests:

☐ RelationshipTest - The individual must be related to you as a child, stepchild, foster child, parent, stepparent, niece, nephew, aunt, uncle, an in-law, or is an individual who lived with you for the entire year and the relationship did not violate state or local law.
☐ Gross Income Test- The individual's gross income must be less than the exemption amount

for the year.

☐ Support Test- You must provide more than one half of the individual's total support.

Qualifying Child for More than One Person

If you and another taxpayer(s) can claim the same child as a Qualifying Child, only one person can claim the following tax benefits (unless the rules for Children of Divorced or Separated Parents apply): the dependent exemption, the Head of Household filing status, the Child and Dependent Care Credit, the Child Tax Credit, or the Earned Income Credit. If more than one person claims tax benefits using the same Qualifying Child, the IRS will use the following tie-breaker rule to determine who can claim the tax benefits with that child:

☐ If more than one taxpayer is a parent of the Qualifying Child, the parent with whom the child lived longer during the year will be allowed to claim the Qualifying Child for the benefit.

☐ If the Qualifying Child lived with their parents an equal amount of time, the parent with the highest AGI will be allowed to claim the Qualifying Child for the benefit.

☐ If only one of the taxpayers is a parent of the Qualifying Child, the parent will be allowed to claim the Qualifying Child for the benefit.

☐ If neither of the taxpayers is a parent of the Qualifying Child, the taxpayer with the highest AGI will be allowed to claim the Qualifying Child for the benefit

Standard Deduction - Dependent on Another's Return

The standard deduction for an individual for whom an exemption can be claimed on another person's tax return is generally limited to the greater of (a) $850, or (b) the individual's earned income for the year plus $300. In no case can the deduction exceed the regular standard deduction amount, generally $5,350 for this year.

Earned Income Credit

Earned Income Credit - Two or More Qualifying Children

The earned income credit is a refundable credit for low-income workers with earned income. The credit is available for taxpayers with or without children. For 2013, the maximum credit if you have two or more qualifying children is $5,372. With three or more qualifying children is $6,044.

Earned Income Credit - One Qualifying Child

The Earned Income Credit is a refundable credit for low-income workers with earned income. The credit is available for taxpayers with or without children. For 2013, the maximum credit if you have one qualifying child is $3,250.

Earned Income Credit - No Qualifying Children

The Earned Income Credit is a refundable credit for low-income workers with earned income. The credit is available for taxpayers with or without children. For 2013, the maximum credit if you have no qualifying children is $487.

Earned Income Credit - Fraudulent or Reckless Claim

You will not be eligible for the Earned Income Credit if the IRS has determined that you have previously claimed the credit fraudulently or recklessly. A fraudulent claim results in a 10-year loss of eligibility. A reckless claim results in a two-year loss of eligibility.

Earned Income Credit - Combat Pay
Although combat pay is not included in income when calculating your federal income tax, you have the option of including combat pay as earned income when calculating the Earned Income Credit. You should calculate your return both ways (including and not including combat pay as earned income for Earned Income Credit purposes) to determine which way gives you the more advantageous result.

Education

Coverdell Education Savings Accounts (Education IRAs)
An education savings account can be established for a child under the age of 18. Any individual (including the child) can contribute to the account during the year if they meet certain income limitations. The total annual contributions per beneficiary are limited to $2,000. Withdrawals will be tax-free when used to pay education costs (elementary school, secondary school, or a post-secondary school such as a college) for the beneficiary.

American Opportunity, Hope and Lifetime Learning Credits
There are two nonrefundable tax credits for payments made for qualified tuition and related expenses for post-secondary education. You may be able to claim American Opportunity for $2,500; You may be able to claim a Hope Credit of up to $3,600 for each eligible student. You may be able to claim a Lifetime Learning Credit of up to $2,000-$4,000 for each family.

Education Expenses - Tuition Payment Verification
Students attending eligible higher education institutions need more than Form 1098-T, Tuition Payments Statement, if challenged to prove paid educational expenses. Receipts from the educational institution showing the amount actually paid for tuition and fees are adequate for verification. Canceled checks or bank statements are also good records. If payments included amounts charged other than tuition and fees, you should save a copy of billing documents from the school that break down the charges individually.

Educator Expenses - Deduction
If you are an elementary or secondary school teacher, instructor, counselor, principal, or aide and you have worked at least 900 hours during a school year, you may deduct the cost of books, supplies, computer equipment (including software and services), and other materials used in the classroom. You may deduct up to $200 of these expenses directly against your income, without itemizing deductions. Remaining expenses can be deducted as a miscellaneous itemized deduction on Schedule A, subject to the 2% of adjusted gross income limit.

Tuition and Fees Deduction
Instead of claiming the Hope Credit or Lifetime Learning Credit, you can claim a tax deduction for qualified higher education expenses. You can take a deduction of up to $4,000 for qualified tuition and related expenses as adjustment to income, even if you do not itemize your

deductions. Certain restrictions apply.

Qualified Tuition Program

A Qualified Tuition Program (QTP) allows you to prepay a student's college tuition or contribute to a higher education savings account. Contributions are not tax deductible, but distributions will be tax-free if the distributions are used to pay for qualified higher education expenses.

Employer-Provided Educational Assistance

You may be able to exclude up to $5,200 on your return for employer-provided educational assistance. The eligible education includes undergraduate and graduate courses.

Student Loan Interest

You may be able to claim a deduction of up to $2,550 for interest paid on a qualified student loan. Only the amount of interest actually paid during the year may be deducted. You cannot claim the deduction in any tax year in which another taxpayer claims you as a dependent. You do not need to itemize to claim this interest. This amount is subject to a phase out, which begins at $55,000 of income for a single person and at $110,000 for a married couple filing a joint return.

Estate and Gift Taxes

Estate and Gift Taxes

You can generally give money or property to another person without any tax consequences provided the amount does not exceed $12,000 per year. If this amount is exceeded, it must be reported on a gift tax return. The unified credit effectively exempts from tax the first $2,000,000 of such cumulative transfers of gifts.

Filing

Electronic Filing

Electronic filing, or IRS e-file, is the electronic transmission of your tax return to the IRS. E-filing reduces the time it takes to receive your tax refund and also reduces common errors such as mathematical errors. Direct Income Tax & Accounting offers free electronic filing with paid tax preparation.

Amended Returns

What happens if you filed a tax return and later realize that you omitted income or overlooked some deductions? You can amend your return by filing Form 1040X, Amended U.S. Individual Income Tax Return. Generally, you must file your amended return within three years after the date you filed your original return. You cannot change your filing status from Married Filing Jointly to Married Filing Separately after the due date of the original return.

Extensions - Filing

Do you need more time to file? By filing an extension, you can generally postpone filing your return until October 15. Filing an extension does not give you additional time to pay any tax you may owe. If you do not pay the tax due by April 15, 2014, you will accrue penalty and interest charges. Complete IRS Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, to file for an automatic six-month extension. If you file Form 4868, you will have until October 15, 2014 to file your tax return.

Extensions - Electronic Filing
The IRS offers electronic filing of extension applications. The IRS will process Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, through noon on April 15, 2014. Paper requests for extension must be postmarked by April 15, 2014. By filing an extension, you generally postpone the filing date of your return until October 15, 2014.

Filing Status

Filing Status - Annulled Marriages
If you obtain an annulment that declares your marriage never existed, you are considered unmarried for this and any previous tax years. You must amend your tax returns for all the tax years not affected by the statute of limitations for filing a return (usually three years) to show this change in marital status.

Filing Status - End of Year
Your filing status depends on whether you are married or unmarried on December 31 of a tax year. If you live apart from your spouse and meet certain tests you may be considered unmarried for the entire year. If you are divorced under a final decree by the last day of the year, you are considered unmarried for the entire year.

Filing Status - Head of Household
If you are single or separated, check to see if you qualify for the Head of Household filing status. This filing status allows you to take a higher standard deduction, possibly be eligible for a lower tax bracket, and perhaps qualify for the Earned Income Credit

Filing Status - Married Filing Jointly or Married Filing Separately
If you are married, you have a choice of filing statuses: Married Filing Jointly or Married Filing Separately. To be sure that you pay the lowest tax, calculate your return both ways. It is usually advantageous for a married couple to file jointly. However, if both of your incomes are about the same, you may pay more in taxes by filing jointly depending on the rest of your return.

Filing Status - Married Filing Jointly
If you are married, you may choose to file Married Filing Jointly or Married Filing Separately return. On a joint return, you report your combined income and deduct your combined allowable deductions. You may file a joint return even if only you (or your spouse) had

income.

Filing Status - Married Filing Separately
If you are married, you may choose to file separate returns. This may be advantageous if this results in less tax liability or if either of you prefers to be responsible only for your own tax liability. If you were separated during the entire last half of the tax year, one of you may qualify as Head of Household if certain conditions are met.

Household Employees

Household Employees
Are you a household employer? You might be if you hired a housekeeper or a care provider for your dependent and the person provided services in your home. If you have a household employee, you may be required to withhold Social Security and Medicare taxes, federal unemployment tax, and federal income tax.

IRA/Retirement

Individual Retirement Arrangement (IRA) - Contributions
You can contribute up to $5,500 to your IRA (or $5,500 to your spouse's IRA if married filing jointly). If you or your spouse is age 50 or older, there is an additional "catch-up" contribution of up to $1,000 allowed.

Individual Retirement Arrangement (IRA) - Early Withdrawal
There is no additional 10% tax on early withdrawals up to $10,000 in your lifetime from an IRA if you are buying a first home for yourself, your children, or your grandchildren, or if you are paying higher education expenses for the IRA owner, spouse, child, or grandchild.

Individual Retirement Arrangement (IRA) - Rollover
The IRS may waive the 60-day requirement for rollovers from pensions or IRAs if you suffer a casualty, disaster, or other event beyond your reasonable control that prevents meeting the 60-day rule.

Retirement Savings Contributions Credit
There is a credit for a percentage (50%, 20%, or 10%) of up to $2,000 of contributions you make to an employer elective deferral plan or IRAs. You must be age 18 or older to claim the credit. In addition, you cannot be a student as defined in the dependency tests or claimed as a dependent on another's return. Any distribution from a retirement plan any time in the preceding two tax years, in the current tax year, or any day up until the due date of the current year's return will reduce the amount available for the credit. This credit is in addition to any deduction or exclusion for the contribution.

Roth IRA
You can elect to contribute up to $5,500 to a Roth IRA. If you are age 50 or older, there is an

additional "catch-up" contribution allowable of $1,000. The Roth IRA differs from the traditional IRA because contributions are not deductible, but when withdrawn the earnings are not taxable.

Roth 401(k)
If you are eligible to participate in a 401(k) or 403(b) plan through your employer you may designate a portion of your elective deferral to be treated as a Roth contribution. These contributions will be treated as regular income on Form W-2. Distributions from these accounts will be tax-free under the same provisions as a Roth IRA.

Itemized Deductions - Limits

Itemized Deductions - Limits
Your income may limit the total amount of itemized deductions you can take. In 2013, if your adjusted gross income is over $156,400 ($78,200 if Married Filing Separately), your total itemized deductions may be reduced.

Lottery

Deducting Cost of Tickets
If you were lucky enough to win money in a lottery, you can deduct the cost of your losing tickets for that calendar year as an itemized deduction up to the amount of your winnings. If a husband and wife file a joint return, their gambling winnings and losses are pooled so that the losses of one spouse are deductible against the winnings of the other up to the amount of winnings.

Sharing a Winning Lottery Ticket
Who will pay the taxes when you win the lottery pool? Form 5754, Statement by Persons Receiving Gambling Winnings, has been provided by the IRS to alleviate the problem of reporting multiple ownership of lottery tickets. The form is prepared by the person who actually receives the winnings and it identifies all those entitled to a share of the winnings. The federal taxes should already have been withheld by the lottery.

Medical and Health

Amounts Subject to Social Security and Medicare Taxes
For 2013, the total wage limit for amounts subject to Social Security tax is $106,800. There is no limit for wages subject to Medicare tax.

Health Savings Account - Deduction
If you made contributions to a health savings account (HSA), you may be able to take a deduction as an adjustment to income. You may establish and contribute to an HSA if you are covered by a high-deductible health plan. Amounts contributed to an HSA belong to you and are completely portable. Every year the money not spent stays in the account and gains interest

tax- free, just like an IRA. Unused amounts remain available for later years (unlike amounts in Flexible Spending Arrangements that are forfeited if not used by the end of the year).

Medical Expenses - Itemized Deductions
If you itemize your deductions, you may be able to deduct medical expenses. You can deduct the amount that is more than 7.5% of your adjusted gross income. Taxpayers are allowed to deduct unreimbursed medical and dental expenses for themselves and family members.

Medical Expenses - Long-Term Care
The costs of qualified long-term care services can generally be included as medical expenses. These costs include a part of the premiums for qualified long-term care insurance. Long-term care insurance premiums covering these qualified services are deductible as medical expenses (subject to the 7.5% of the adjusted gross income limit and certain age limitations).

Medical Expenses - Overlooked Deductions
Do not overlook any medical deductions for which you may qualify. Hearing aids, eyeglasses, contact lenses, hospital fees for nursing, physical therapy, lab tests, and x-rays are all deductible. The mileage to and from a doctor or dentist's office is deductible at 24 cents per mile in 2013. Bus and taxi costs incurred for traveling to and from medical appointments are also deductible.

Medical Expenses - Maximize Your Deductions
If you file Form 1040 and itemize your deductions, you may deduct medical expenses that are over 7.5% of your adjusted gross income. Careful tax planning may allow you to plan ahead so that you could take more medical deductions during one tax year instead of spreading them over two. For example, in a year that you already have substantial medical expenses, schedule and pay for your routine doctor or dentist appointments by December 31 instead of early in the next year.

Medical Expenses - Weight Control Treatment
The IRS has recognized obesity as a medical disease. If you participate in a weight loss program because your physician diagnoses obesity, you may be able to deduct it as a medical expense on Schedule A. General rules for deducting medical expenses apply.

Miscellaneous Expenses

Miscellaneous Expenses #1
Various expenses fall in the category of miscellaneous deductions. Job-hunting, job travel, union dues, tax preparation, and safety deposit box fees are all examples of miscellaneous deductions. If you itemize, you can deduct the amount of miscellaneous expenses that is over 2% of your adjusted gross income.

Miscellaneous Expenses #2
Various expenses fall in the category of miscellaneous deductions. Appraisal fees for

casualties, theft losses or charitable contributions, depreciation on home computers used for investments, and fees to collect taxable income are all types of miscellaneous deductions. If you can itemize, you can deduct the amount of miscellaneous expenses that is over 2% of your adjusted gross income.

Miscellaneous Expenses #3
Various expenses fall in the category of miscellaneous deductions. Hobby expenses, up to hobby income, can be taken as miscellaneous deductions. You may also deduct legal fees related to producing or collecting taxable income, doing or keeping your job, or to collect taxable alimony. If you can itemize, you can deduct the amount of miscellaneous expenses that is over 2% of your adjusted gross income.

Nontaxable Income

Nontaxable Income
There are certain types of income that are not taxed and do not have to be used to determine your taxable income. These include child support payments, military allowances, veterans' benefits, welfare benefits, and workers' compensation. A cash rebate that you received for a car purchase is not considered taxable income.

Presidential Election Campaign Contribution

Presidential Election Campaign Contribution
Do you usually mark either the 'Yes' or 'No' check box on your tax return that asks you if you would like to contribute $3 to the Presidential Election Campaign? If you do choose to contribute, it will not change the tax you pay or the refund you will receive. This fund was set up to help pay the expenses of presidential election campaigns.

Real Estate/Property

Basis of Property - Gains and Losses
When you purchase property, the basis is usually its cost. Your cost also includes amounts you pay for sales tax paid on the purchase, commissions, and freight charges. Keep accurate records of all items that affect the basis of the property. This will help you to determine if you have a gain or loss when the item is sold.

Home Office - Deductions
Home office deductions cannot be more than your earned income. If they are higher, you must carry over the nondeductible expenses to the following year. Form 8829, Expenses for Business Use of Your Home, is used to deduct home office expenses for a self-employed person.

Home Office - Qualifications
A home office will qualify as the principal place of business if you use it exclusively and regularly to conduct administrative or management activities of your trade or business, and if

there is no other fixed location of the business where you can conduct these activities.

Legal Fees for Unlawful Discrimination Claims
You may be entitled to an adjustment to income for any attorney fees and court costs for actions settled after October 22, 2004, involving a claim of unlawful discrimination, a claim against the U.S. government, or a claim made under section 1862(b)(3)(A) of the Social Security Act (Medicare fraud claim) that you paid. The deduction is limited to the amount of income you received for the claim. You do not have to itemize deductions to claim these expenses.

Mortgage Insurance Premium Deduction
Mortgage insurance premiums will be allowed as deductible interest on Schedule A for tax year 2012. Premiums for mortgage insurance policies started after December 31, 2011, and before January 1, 2013, for less than $1 million of acquisition indebtedness are deductible on Schedule A as mortgage interest. This deduction begins to phase-out for taxpayers with adjusted gross income exceeding $100,000. This deduction is available for one year only.

Past Tax Returns - Getting Copies
If you are buying a home, your mortgage banker may ask for copies of several prior years' tax returns. If you cannot locate them, please contact your local Ultimate Tax & Accounting Group office near you. Otherwise, you can file Form 4506, Request for Copy of Tax Return, with the Internal Revenue Service. For a fee, the IRS will mail you copies of your past returns. This can take up to 60 calendar days.

Real Estate - Home Purchases
Your home purchase can be a wonderful tax advantage. You may be able to benefit from itemizing your deductions. If so, you can deduct payments such as mortgage interest, real estate taxes, and most points paid by you or the seller in the year of purchase. The earlier in the year you purchase your home, the more months of mortgage interest you will have by tax time.

Real Estate - Closing Papers
Once you close on your new home, keep your closing papers, including the Form HUD-1, in a safe place. When it is time for tax preparation, the Form HUD-1 is the document you will need to determine the points and other closing costs you can deduct on your tax return.

Real Estate - Selling Your Home
If you are getting ready to sell your home, it is time to calculate the basis of your property for tax purposes. If you have saved your Form HUD-1 from closing, you can add the attorney's fees, surveys, agent's commissions, title searches, recording fees, and the transfer and stamp taxes to the basis. You may also add improvements you have made to the property.

Real Estate Refinancing - Loan Points
When interest rates drop, many people rush to refinance their home mortgages. Homeowners often assume that they may also deduct their points. If you use the proceeds of your new loan to make home improvements, you generally may deduct the loan points in the year you

refinance. If only a portion of the loan is used to improve the home, only that portion of points is deductible in the year paid. The remainder must be deducted over the life of the loan.

Real Estate Refinancing - Home Improvements
Are you thinking about refinancing your home mortgage? The portion of points paid to refinance a loan not used to substantially improve your main residence is generally deductible in equal amounts over the life of the loan. Any points not deducted by the year the loan is paid off are generally fully deducted in the payoff year.

Real Estate - Repairs & Improvements
The terms repairs and improvements can be confusing as they apply to the value of your home. A repair or maintenance expense is not tax deductible and cannot be added to the basis of your home. An improvement adds to the value of your home and is added to the basis. Adding vinyl siding and installing a security system are examples of improvements.

Rental Property - Miscellaneous Deductions
If you are an owner of rental property, you can take deductions for advertising for tenants, the costs of signs, cleaning supplies, real estate taxes and mortgage interest. Some of the other deductions include landscaping, fees paid to property managers, and the cost of transportation to and from the rental property.

Rental Property - Income & Expenses
If you are a landlord, you will have income and expenses. Rental income includes payments made by an occupant for the use of property, payments to cancel a lease, advance rent, and any security deposit used as a final payment of rent. Some of your expenses, such as rent lost due to a vacancy, are not deductible. Improvements made to the property must be depreciated over a prescribed number of years and cannot be deducted all at once.

Sale of a Home - General
You can avoid paying taxes on the first $200,000 of profits on the sale of a home if you are single, or the first $550,000 if you are married. Generally, you must own and live in the home two of the last five years. If you did not own and live in the home two of the last five years, you still may be able to use a prorated exclusion amount in certain situations (for example, if you move because of your job).

Sale of a Home - Like-Kind Exchange
If you acquired your home in a like-kind exchange, you can avoid paying taxes on the first $200,000 of profits on the sale of a home if you are single, or $550,000 if you are married. Generally, you must own and live in the home two of the last five years. If you sold your home after October 22, 2013, however, you must have lived in the home two of the last five years and owned the home for the last five years.

Return Information

Installment Agreement
If you owe but cannot pay your full tax liability by April 15, 2014, consider the IRS installment plan. To do this, complete Form 9465, Installment Agreement Request, and attach it to the front of your tax return. If the IRS approves the request, you will be charged a fee and interest on any unpaid balance. You should make the payments large enough so that the balance due will be paid off by the due date of your next return.

Installment Agreement - Online Agreement
Many individuals who owe delinquent federal income taxes can now apply online for a payment agreement. Paying taxes on time and in full avoids unnecessary penalties and interest. However, if you cannot pay in full you may request a payment agreement. This new Web-based application allows you or your authorized representative, such as Ultimate Tax & Accounting Group, Inc., to self-qualify, apply for, and receive immediate notification of approval. You must have filed all required tax returns in order to use the online application. You should also have the following information available:

☐ Balance due notice from the IRS
☐ Social Security number of Individual Taxpayer Identification Number
☐ Personal identification number, which can be established online using the caller identification number from the balance due notice

Three payment options are available: pay in full within 10 days, pay within 120 days, or set up a monthly payment plan (fee applies).

Recordkeeping
It is a good idea to keep your previous tax returns, as well as other important documents that have affected your income and deductions for at least three years. If you need a copy of a prior year return, contact your local Ultimate Tax & Accounting Group, Inc office to request a copy if that return was prepared by us. Otherwise, you can obtain a copy from the IRS for a fee by filing Form 4506, Request for Copy of Tax Return.

Sale of Personal Assets

Sale of Personal Assets
Did you take a loss on the sale of a capital asset such as a nonbusiness automobile or your home? These losses are not deductible. If you sold stocks, bonds, securities, land, or investment real estate, the loss is deductible. Losses on the sale of non personal capital assets are first used to offset gains, after which up to $3,000 of the loss can be deducted on this year's return unless you are married filing separately. Up to $1,550 of the loss is allowed if you are married filing separately. The remaining loss, if any, can be carried forward to next year and subsequent years until all the loss has been used.

Social Security Numbers

Social Security Numbers
If you are getting married and changing your name, be sure that you notify the Social Security

Administration. If you have a baby, the hospital may provide Social Security application forms for your child. You must have a valid Social Security number for every person included on the tax return to electronically file with the IRS.

State & Local Taxes - Itemized Deductions
You have the option of deducting state and local general sales taxes instead of state and local income taxes as an itemized deduction, but you cannot deduct both. If you choose to deduct state and local general sales taxes, you can use the actual taxes you paid during the year or the Optional State Sales Tax Tables to determine the amount of your deduction. You should keep your receipts to substantiate any actual sales taxes you claim.

Taxes (Estimated)

Estimated Taxes
If you expect to owe at least $1,000 in taxes after subtracting withholding and credits, you are usually required to pay estimated quarterly taxes. For estimated tax purposes, the year is divided into four payment periods. Generally, payments are due on April 15, June 15, September 15, and January 15 of the next year. The first payment for 2013 will be due on April 15, 2013.

Estimated Tax - Underpayment Penalty
If you did not pay enough tax either through withholding or by making estimated tax payments, you will have an underpayment of estimated tax, and you may have to pay a penalty. Generally, there will be no penalty for underpayment unless the amount you owe is $1,000 or more.

Withholding Amount

Withholding
If you are employed and receive large refunds, consider adjusting your withholding amounts with your employer. Instead of waiting until the end of the year to receive a big refund, you can complete a new Form W-4, give it to your employer, and have less withholding tax taken out of your paycheck. If income or employment circumstances change, it might also be to your advantage to revise your Form W-4 at that time.