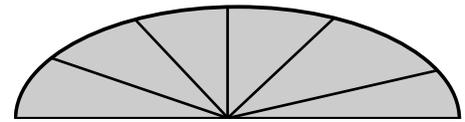


# TAX TALK

**JUNE 2014**

FROM



**ALT FINANCIAL SERVICES INC**

**1101 JOLIET STREET  
JANESVILLE, WI 53546**

**608-756-5919**

**[www.alttax.net](http://www.alttax.net)**

## **Dear Client:**

Tax season may be a distant memory for most, but Alt Financial Services would like to thank our returning clients for your continued confidence in us and to our new clients this year for choosing Alt Financial Services. We work hard to earn and maintain your trust.

Alt Financial Services is progressing with the times. We are changing our approach to sending our newsletters. If you provided us with an email address, you will find this and our fall newsletter by way of email. Our January newsletter and appointment letters will continue to be mailed to your home mailbox via first class mail.

Summer is a time for vacations, or just attempting a few of those “summer projects.” You can also do a little tax planning just by reading this newsletter. We want to help you make good decisions throughout the year and be prepared for tax time. Taxes are due only once a year, but the decisions you make during the year will ultimately affect the bottom line of your tax return.



Dennis, Gary, Joe, Barb & Sarah are here throughout the year for any questions you may have. Feel free to call with any questions as they pop up or to set up an appointment.



**WISHING YOU A HAPPY, HEALTHY SUMMER!**

## **And the Winners are:**

As our way of saying thanks, Alt Financial Services, Inc. offered a “Customer Appreciation Drawing” held on Monday, June 2nd. We appreciate each and every one of our clients.



Congratulations to the following winners:

### **Grand prize:**

Free 2014 Tax Preparation up to \$250  
**Shirley Bobzien**

\$100 Gift Certificate  
**Clifford & Ruth Plemon**

\$50 Gift Certificate  
**Mark Aarstad**

## **Disappearing Tax Breaks**

We’ve heard it many times. Tax breaks that were to disappear for the upcoming year and then are extended for at least “one more year.” It appears that the breaks below MAY again be extended for 2014. Taxpayers can say goodbye to the following if there are no more extensions:

- Energy credits for windows, insulation, etc. will be gone. However, a 30% credit is still available for solar, wind, and geothermal through 2016.
- Above the line deduction (a deduction without the need to itemize) of up to \$250 to teacher’s for school supplies used in the classroom.
- Mortgage insurance premiums (PMI) will no longer be deductible as mortgage interest.
- Itemized deduction for state & local sales tax.
- Above the line deduction for tuition paid.
- Tax free distributions from IRA plans for charitable purposes (QCD).

If any extensions are passed, we will be sure to let you know in a future newsletter.

## IRS BUDGET CUTS

### Poor Customer Service Hurts Taxpayers

IRS customer service has been struggling for the past three years, and the cause is fairly simple: Congress has consistently cut its budget. The IRS is forced to tighten their budget which in turn makes it the taxpayer's problem.

In the budget year 2012, the IRS allotted \$172 million to training its customer service representatives. The IRS now has \$22 million to train those same people — an 87% drop.

Taxpayers looking for answers on tax law will have to look elsewhere, the IRS says. It will only answer basic tax questions, and that's assuming taxpayers can get through. Taxpayers may even hear recorded messages suggesting they find answers elsewhere. Be prepared to wait for an extended period of time if you do have a reason to call.



### NINE THINGS TO KNOW IF YOU RECEIVE AN IRS NOTICE

1. Don't panic. Many of these letters can be dealt with simply and painlessly.
2. There are a number of reasons why the IRS might send you a notice. Notices may request payment of taxes, notify you of changes to your account, or request additional information. The notice will normally cover a very specific issue about your account or tax return.
3. Each letter and notice offers specific instructions on what you are asked to do to satisfy the inquiry.
4. If you receive a correction notice, bring it in for us to review and compare it with your tax return. The IRS usually allows thirty days to respond to a notice. Please be sure we receive a copy of any correspondence as soon as possible so we have time to address the issue.
5. If you agree with the correction notice, usually no reply is necessary, unless a payment is due or the notice directs otherwise.
6. If there is an adjustment to the federal return, and you agree with it, your state return must be amended as soon as possible—a federal change usually means there will be a state change. (If a state change, federal may need to be amended.)
7. If you do not agree with the adjustment, you must respond and send a written explanation as to why you disagree and include any documents you want the IRS to consider.
8. Most correspondence can be handled without calling or visiting an IRS office. However, if you have questions, call the number on your letter.
9. It is important that you keep copies of any correspondence with your records.

Alt Financial Services is here to help you with any correspondence you may need and to amend the state or federal return, if necessary, at a reasonable fee.

## ESTATE AND GIFT TAX

### EXCLUSION PORTABILITY

A recent act of Congress makes permanent the concept of estate and gift tax exclusion portability. Portability means that spouses, under certain circumstances, can share their unused \$5.34 million estate and gift tax exclusion with each other. This portability allows spouses to effectively use a combined \$10.68 million exclusion. Portability allows a surviving spouse to elect to use any exclusion unused by his/her last deceased spouse in addition to his/her own \$5.34 million exclusion. For example, if a husband dies in 2014, having made \$2 million in lifetime taxable gifts and leaving his entire \$8 million estate to his wife, no estate tax is due at husband's death. If an election is made on the husband's estate tax return to allow his wife to use his \$3.34 million unused estate tax exclusion, the wife's available amount (which can be used for lifetime gifts or for estate taxes) is increased to \$8.68 million - her \$5.34 million plus her husband's unused \$3.34 million.

It is important to note that portability is only available if an election is made on the deceased spouse's estate tax return. Also, portability is not available for the Generation Skipping Tax (GST) tax exemption. Further, in the event of a remarriage and subsequent death of the new spouse, the surviving spouse will no longer have access to the unused estate tax exclusion of the first deceased spouse. To elect portability after the first spouse dies, contact your attorney to see if portability is right for you.

### GAMBLING WINNINGS AND LOSSES

Your summer vacation may mean a trip to the casino or the racetrack. What will you owe Uncle Sam if Lady Luck happens to be on your side?



Gambling winnings are fully taxable and must be reported on your tax return—even if you receive no W2-G. All winnings are includable in income and include lottery, raffles, horse races, and casino winnings. It includes cash winnings and the fair market value of prizes such as cars and trips.

If your luck isn't always so good, you may deduct gambling losses. Losses may be deducted only if you itemize deductions and only if you also have gambling winnings. But remember, the losses you deduct cannot be more than the winnings you reported.

If you want to deduct losses, it is important to keep an accurate record of your winnings and losses. If audited, you will need to provide a log, receipts, tickets, statements or other records.

Wisconsin and Illinois do not allow any deduction for gambling losses. If you have out of state gambling winnings, you may also owe taxes to that state.

Sales & Use Tax is tax paid on any items you purchase and use in your resident state when the proper sales tax was NOT paid. Examples of purchases that may be subject to use tax include eBay, Amazon, and mail order purchases. If you travel outside the country this year, and report purchases to customs, remember to include the amount for your use tax computation. Many State Tax Departments use customs reports to determine if any use tax was omitted on a resident's tax return.



The annual gift exclusion for 2013 remains at \$14,000 per person. If your gifts exceed the annual amount, you are required to file a gift tax return.

Getting married or divorced? If you changed your name as a result of a recent marriage or divorce, you'll want to take the necessary steps to ensure the name on your tax return matches the name registered with the Social Security Administration. A discrepancy between the name shown on your tax return and the SSA records can cause problems in the processing of your return and may even delay your refund.



Beginning in tax year 2014, the Health Insurance Mandate will require your tax practitioner to gather information on whether you are covered by health insurance.

Do you own any U.S. Savings Bonds? Make sure that you cash any bonds that were issued in 1984 or earlier by December 31, 2014. These bonds have reached final maturity and all accrued interest must be reported on your 2014 income tax return.

Those of you living in Illinois know that a "temporary tax increase" raised the tax rate from 3% to 5%. "Take heart!" cried the politicians. "It's only temporary and will revert back to 3% in a few years". Or will it?

Governor Quinn has suggested making the increase permanent to fund education and avoid making an already bleak economic situation even worse in the Land of Lincoln. But most politicians in Springfield are hoping to avoid the issue until after the elections in November. So what will happen? Probably this: Nothing. At least not until after the November elections. Once all the lawmakers have political cover and a guarantee of a full-term, expect to see some type of "permanent" increase – whether it be at the current rate of 5% or some sort of compromise between the 3% of the past and 5% of the present. Just remember: There is no such thing as a "temporary tax increase".



The standard mileage rate for 2014 is 56 cents per mile. Medical and moving miles are 23.5 cents per mile and charitable mileage remains at 14 cents.



Contribution limits for 401(k), 403(b), and 457 plans remains at \$17,500 with an additional "catch up" contribution of \$5,500 if you are 50 or over. Limits on Simple Plans remains at \$12,000 with an additional \$2,500 if you are 50 or over. IRA and ROTH limits also remain at \$5,500 with a "catch up" contribution of an additional \$1,000 if you are 50 or over.

If you move or change your phone number or email address in 2014, be sure to let us know your **new address and/or phone number and email.**

That way you can continue to receive this newsletter, your pre-scheduled appointment notice we mail in early January, and your appointment reminder phone call.



If you haven't already done so, now is a good time to ask for your free credit report. You can call:

1-877-322-8228 or log on to [www.annualcreditreport.com](http://www.annualcreditreport.com)

Remember when the Social Security Administration always sent you your earnings & benefit statement around your birthday? The SSA quit mailing them annually. Anyone can receive their electronic version at: [www.socialsecurity.gov](http://www.socialsecurity.gov) But if you haven't signed up to view your statements online yet, the SSA will resume mailings at five year intervals to workers starting with age 25.



Cleaning out your closets? Be sure you have a written statement or receipt for all of your charitable contributions. Any contributions of non cash items (to Goodwill for example) must be in good used condition and you have to have an itemized list attached.

Rules for cash contributions to charity is **No receipt = No deduction.** The record can be either a cancelled check, a bank record (like a copy of a debit expenditure) or any written record as long as it includes the donee's name, contribution date, and the amount of the contribution.

### JUST FOR FUN

Win a Free 2014 Tax Preparation - Up to \$250. On Tuesday, July 1, 2014 at 8:00 AM we will post on the "Just For Fun" page of our website how you can win! Visit our website at: [www.alttax.net](http://www.alttax.net)

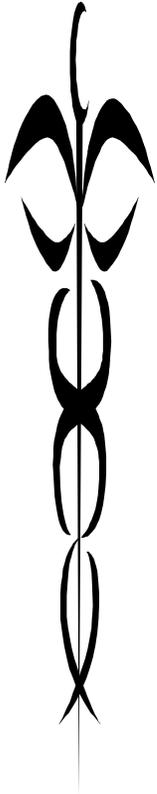
## HEALTH CARE PROVISIONS

### How will they affect your taxes?

#### *Provisions Effective for 2014*

##### ◆ Health Insurance coverage is required

Starting January 1, 2014, residents must maintain minimum essential health coverage or pay a penalty. Minimum coverage includes government sponsored programs, eligible employer-sponsored plans, plans in the individual market, certain grandfathered group health plans and other coverage as recognized by the Dept. of Health and Human Services.



Taxpayers exempt from this requirement include:

- \* Individuals who cannot afford coverage because their required contribution exceeds 8% of household income for the year.
- \* Taxpayers with income under the tax filing requirement.
- \* Individuals residing outside of the United States.
- \* Individuals who are incarcerated or not legally present in the United States.
- \* Religious members who are exempt from self employment taxes.
- \* All members of Indian tribes.

No penalty is assessed if you do not maintain health insurance for a period of three months or less during the tax year. If you exceed the 3 month maximum during the taxable year, the penalty for the full duration of the gap during the year is applied. The maximum tax penalty is gradually phased in and increases between 2014 and 2016.

If your household income is at least 100%, but not more than 400% of the federal poverty threshold, and you don't receive health insurance under an employer plan, you may be allowed a refundable tax credit for the premiums you paid during the tax year for qualified health plan insurance coverage.

Any taxpayer who has insurance that was subsidized by the government, will be **REQUIRED** to file a tax return—you must reconcile your subsidized payments with your actual income you received.



This newsletter is published as a service to clients of Alt Financial Services, Inc. and has been prepared with due diligence. However, the possibility of mechanical and/or human error does exist. Because every taxpayers' situation is different, if you have questions after reading this information, contact your tax or financial advisor for clarification and assistance.

## IDENTITY THEFT



Identity theft often starts outside of the tax administration system when someone's personal information is stolen or lost. Identity thieves may then use a taxpayer's identity to fraudulently file a tax return and claim a refund. In other cases, the identity thief uses the taxpayer's personal information in order to get a job. The legitimate taxpayer may be unaware that anything has happened until they file their tax return later in the filing season and discover two returns have been filed using the same Social Security number.

Identity thieves access your personal information by many different means including stealing your wallet or purse, posing as someone who needs information about you through a phone call or email, looking through your trash, accessing information you provide to an unsecured internet site or on social media sites. How can you minimize the chance of becoming a victim?

1. The IRS does not send emails or any other type of electronic communications. If you receive a scam email forward it to the IRS at [phishing@irs.gov](mailto:phishing@irs.gov).
2. Do not routinely carry your card or other documents that display your SSN.
3. Do not give a business your SSN just because they ask. Give it only when required.
4. Protect your financial information. Routinely access your credit reports to be sure there is no activity you have not authorized.
5. Be less social on social media. You may think that posting your birthday or where you went to school is harmless, but it could be just enough of added personal information an ID thief needs to pretend to be you.
6. Protect your personal computers by using firewalls, anti-spam/virus software, update security patches, and change passwords on internet accounts. Think twice about how you dispose of your old computer and the existing hard drive.

If you receive a letter from the IRS indicating that you have filed two tax returns, you have a balance due or offsets from a year you did not file, or the IRS indicates you have wages from an employer you did not work for and **you suspect** your identity has been stolen, respond immediately to the name and phone number on the letter. You will then need to fill out the IRS identity theft affidavit, Form 14039.

No IRS letter, but feel your identity has been compromised? Contact the IRS specialized unit at 1-800-908-4490.