

TIME TO THINK ABOUT YEAR END TAX PLANNING

As the summer unofficially ends with the passing of Labor Day, we advise you, our clients and friends, to start thinking about year-end income tax planning. By December 1, most of you should be in a position to compute your 2013 income tax liabilities (state and federal), have a plan in place for your 2013 year-end planning, and have made a first pass at projecting your 2014 income tax liabilities. (Note: Some of you may also be doing year-end estate tax planning. Such estate tax planning is more complex and specialized and not the topic of today's article.) While the year-end income tax planning steps may yield excellent results, the mere knowledge of your 2013 tax liability well ahead of April 15th will make the process worthwhile. Knowledge of any potential liability will give you the ability to plan your cash flow accordingly and give you peace of mind.



For 2013, some of you may be in for a surprise due to increases in income tax rates which became effective on January 1, 2013. For the details, of such, please see my article from January 2nd ([Click here](#)).

One approach to year-end tax planning is to simply take steps to minimize your current year income tax liabilities. To do this, one will often accelerate deductions and defer income insofar as legally permissible. However, there are limitations. For example, if you are in constructive receipt of income, the failure to take the income or deposit it into your bank does not change the effective legal receipt of the income.

Our approach, and that of most experienced tax practitioners, is to look at both the current year (2013) and subsequent years (2014 and forward) and determine the impact of moving income and deductions from one year to another. We do not just seek to minimize your 2013 income tax liabilities; we look to assist in maximizing your overall after tax-cash flow. Shifting income from 2013 to 2014 for example, may reduce your 2013 tax liabilities but may result in a higher tax in 2014, on the shifted income. With low interest rates, the time value of money has little impact on this more sophisticated analysis and such shifting would usually be unproductive.

In addition to differences in tax rates, whether you are subject to the AMT (Alternative Minimum Tax) in 2013 or 2014 will also impact upon your year-end tax planning strategy. Also, harvesting unrealized gains or losses in your stock and/or bond portfolios may give rise to tax planning opportunities. Other items that may impact on your tax planning include:

Change of Martial Status	Dependency Changes
Purchase or Sale of New Home	Changes of Career/Moving Expenses
Change in College Education Costs	Purchase or Sales of Capital Assets
Retirement	Casualty Losses

Such life changes may suggest a closer look at year end planning. Of course, we are glad to assist you with your year-end tax planning needs. We usually find that late October or early November are the best times to do this planning. However, it never hurts to get an early start, particularly if your situation is complex.

UPDATE - IRS PROVIDES GUIDANCE REGARDING THE INVALIDATION OF DEFENSE OF MARRIAGE ACT

On August 29th, the IRS announced in IR-2013-72 that it would recognize all same-sex marriages for federal tax purposes. So, even if a married couple is residing in a state that does not recognize their marriage, the IRS will for federal income tax purposes. However, such will only apply for marriages, and not for domestic partnerships or civil unions. In its press release, the IRS stated:

"Any same-sex marriage legally entered into in one of the 50 states, the District of Columbia, a U.S. territory or a foreign country will be covered by the ruling. However, the ruling does not apply to registered domestic partnerships, civil unions or similar formal relationships recognized under state law."

For the complete IRS press release, go to:

<http://www.irs.gov/uac/Newsroom/Treasury-and-IRS-Announce-That-All-Legal-Same-Sex-Marriages-Will-Be-Recognized-For-Federal-Tax-Purposes;-Ruling-Provides-Certainty,-Benefits-and-Protections-Under-Federal-Tax-Law-for-Same-Sex-Married-Couples> or [click here](#).

The IRS also provided that same-sex couples may, but are not required to, amend their returns for 2010, 2011, and 2012. Some may qualify to amend their 2009 tax returns also. See details in the link above. (Or go to www.irs.gov and search for IR-2013-72. See also Revenue Ruling 2013-17 and FAQs for Registered Domestic Partners and Individuals in Civil Unions referenced in IR-2013-72.) Also, see the new FAQs on same sex marriages: <http://www.irs.gov/uac/Answers-to-Frequently-Asked-Questions-for-Same-Sex-Married-Couples>.

Kudos to the IRS for providing such comprehensive and reasonable guidance so quickly. And, although there will be other questions and some may disagree with their conclusions, the speedy response is greatly appreciated by tax practitioners and affected taxpayers alike.

CONNECTICUT TAX AMNESTY

Connecticut tax amnesty will run from September 16 through November 15, 2013. For those who may owe money to Connecticut, this is a great opportunity. The amnesty applies to all tax periods ending on or before November 30, 2012. The benefits of the amnesty program are elimination of all penalties, a 75% reduction in interest charges, and avoidance of criminal penalties. To qualify for the amnesty, the entire payment due must be made electronically no later than November 15, 2013. There is absolutely no provision for installment agreements or any type of deferred payment plans. Post-amnesty payments will be charged with interest at 1% per month and a 25% penalty. Unpaid sales and use taxes for purchases qualify for Connecticut's amnesty.

E. MARTIN DAVIDOFF'S SPEAKING ENGAGEMENTS

On a regular basis, Marty speaks before tax professionals regarding IRS representation issues. Below is a summary of two popular programs that Marty has developed:

IRS Offers in Compromise: A Case Study

Description:

This comprehensive workshop takes participants on a hands-on journey through the entire IRS Offer in Compromise (OIC) process, including how to effectively complete the appropriate financial disclosure package for individuals [Form 433-A (OIC)]. The program will provide you with skills that will enable you to:

1. Compute Reasonable Collection Potential (RCP) for OICs in light of the new rules established in May 2012;
2. Determine acceptable Installment Agreement levels;
3. Determine whether a taxpayer qualifies for Currently Not Collectible Status;
4. Advise your clients regarding pre-submission planning for OICs; and
5. Become knowledgeable regarding the practical considerations.

Typically, this program runs from 100 - 125 minutes in length.

Navigating the IRS

Description:

This segment covers how to represent your clients before the IRS, from the first phone call through the resolution of the problem. The program details the steps in a tax controversy, describes tools in dealing with the IRS, provides practical guidance in dealing with the IRS, and discusses alternative resolution scenarios in dealing with collection matters. Handouts include numerous sample letters, such as penalty abatement letters, engagement letters, Examination Appeals, Request for Third Party Contacts, FOIA requests, and filled-in IRS forms (i.e., 2848, 8821, 9423, 12153, 911). The program will also discuss the current status of Streamlined Installment Agreements and Levy Withdrawals.

Typically, this program runs from 60 - 100 minutes in length and the topics can be tailored to the specific audience.

Each of these programs is regularly updated as the IRS landscape changes. If your professional group wishes to have Marty speak to your group on either of the topics above, please contact Joann Cleary of our office.

Dates and topics being presented to tax professionals are as follows:

December 4, 2013: NJSCPA Middlesex/Somerset Chapter
Holiday Inn, Somerset, NJ
195 Davidson Ave, Somerset, NJ 08873
Contact: Theresa Hinton at 973-226-449
Topic: Offers in Compromise & Navigating the IRS
Times: 8:15 a.m. - 12:00 p.m.
(Registration 7:30 a.m. -8:15 a.m.)
Click here to [Register Now!](#)

December 12, 2013: Baruch College
Zicklin Tax Series 2013
Baruch College
55 Lexington Ave, New York, NY
Contact: Matthew LePere at 646-312-3231
Topic/Times: (to be determined)

December 17, 2013: Nassau Suffolk Chapter of the NY Society of Independent Accountants
Holiday Inn, Plainview, NY
215 Sunnyside Boulevard
Plainview, New York 11803
Contact: Abby Eisenkraft, EA, ATA, ATP, CRPC, Choice Tax Solutions Inc.
Telephone No. 347-598-0111, E-Mail: abby@choice-tax.com
Topic: Navigating the IRS
Time: 7:00 p.m. - 8:40 p.m.

My very best regards,
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