# TaxScriptions Rx

"A Prescription For Tax Relief"

ROSEN & ASSOCIATES, LLP
Certified Public Accountants and Financial Advisors

ADCPA
ACADEMY OF DENTAL CPAS

Volume IV Issue II

## Featured Articles



## Looking to Cut Expenses?

### Have you had your credit card merchant fees analyzed yet?

Rosen & Associates, LLP has been able to save our clients thousands of dollars in merchant fees by having them analyzed. Are your rates as low as possible?

For more information email us at info@rosencpagroup.com

## Looking to Save Time?

- **Streamline your Front Desk**
- **More time for your**

# UPCOMING EVENTS

## YANKEE DENTAL CONGRESS

January 31 - February 2, 2013

*Please come by and see us at **Booth 815** to say hello and pick up the latest **"See How You Compare"** booklet (and a candy bar).*

*Mark B. Rosen, CPA, CFP (R), will be speaking about "Building a Successful Dental Practice" with Jeff Hoepf from Bank of America Practice Solutions, Saturday, February 2nd from 9 am - 12 pm.*

MORR DENTAL SOLUTIONS
The Evolution of Practice Transitions

Rosen & Associates is pleased to announce our partnership with Maria G. Melone in the formation of MORR Dental Solutions, LLC ("MORR"). MORR will focus on providing transition services for individuals, partners and dental groups of all sizes. Our seasoned team has years of experience advising dentists, valuing practices, structuring buy-ins/buy-outs, and negotiating contracts between parties.

Please visit us at the ***Yankee Dental Congress Booth 817*** or for MORR information contact Maria at (508) 475-3830 or mmelone@morrds.com. You may also visit our website www.morrds.com.

## Comments from the Corner Office

Year-end planning is a bigger challenge this year than in past years because, unless Congress acts, in 2013 individuals will face higher tax rates on their income (including capital gains and

- **Office Manager to concentrate on collections**
- **Less Staff Complaints**

With all the new payroll laws and changes, a switch to a payroll company to take over the payroll reporting may make sense for your Practice.

For more information please contact your Account Manager.

## Important Tax Dates & Deadlines:

**December 31, 2012**

**Individuals:**
4th quarter state estimated tax payment due (if not subject to AMT)

**January 15, 2013**

**Individuals:**
4th quarter estimated tax payments due for federal and state (if subject to AMT)

**January 31, 2013**

**Businesses:**
4th quarter payroll returns due (Forms 940 and 941)
W-2s need to be distributed to employees

1099 MISC furnished to recipients

**February 15, 2013**

**Businesses:**
Last day for filing W-4 by employees who wish to claim exemption from withholdings

**February 28, 2013**

dividends), as well as an increase in estate tax rates. In addition, many more individuals will be affected by the alternative minimum tax (AMT). Various deductions and other tax breaks will be unavailable. Rules that will expire at the end of this year include generous bonus depreciation allowances and expensing allowances for business, and expanded tax credits for higher education costs.

These adverse tax consequences are by no means a certainty. Congress could extend the Bush-era tax cuts for some or all taxpayers, retroactively "patch" the AMT for 2012 to increase exemptions and availability of credits, revive some favorable tax rules that have expired, and extend those that are slated to expire at the end of this year. Which actions Congress will take remains to be seen and may well depend on the outcome of the elections.

While these uncertainties make year-end tax planning more challenging than in prior years, they should not be an excuse for inaction. Indeed, the prospect of higher taxes next year makes it even more important to engage in year-end planning this year.

Like this time last year, we have again compiled some tax planning items that may help you save on taxes if you act before December 31st. Not all items will apply to your particular situation, but you (or a family member) will likely benefit from many of them.

Please feel free to call us if you have any questions or would like to discuss your tax planning strategies.

Larry S. Rosen, **CPA, MBA**

Managing Partner of Rosen & Associates, LLP

## 2012 Year End Tax Planning

**Individuals:**

- Maximize Retirement!
- Consider selling assets in 2012 that are likely to yield large long-term capital gains (such as appreciated stock or the sale of principal residence over the home sale exclusion amount) to take advantage of the 2012 15% long-term capital gains rate (depending on your AGI gains taken in 2013 may be subject to the extra ***3.8% Surtax on Unearned Income***)
- To reduce or eliminate estimated tax penalties - increase your withholdings from wages or an eligible rollover distribution from a qualified retirement plan
- Possibly convert your traditional IRA into a Roth IRA if doing so is expected to produce better long-term tax results for you and your beneficiaries but be aware that it could push your AGI above the threshold for the 3.8% tax on unearned income

**Businesses:**
File W-2's with Social Security Administration

File Annual 1099's with IRS

**March 15, 2013**

**Businesses:**
File Corporate Income Tax Return (Forms 1120, 1120s or 1120-A)

OR

Corporate Extension Due (Form 7004)

**April 15, 2013**

**Individuals:**
File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ)

OR

Individual Extension Due (Form 4868)

First Installment of Individual Estimated Tax Due (Form 1040-ES)

**Estates and Trusts:**
File Fiduciary Tax Return (Form 1041)

OR

Fiduciary Extension Due (Form 7004)

**Businesses:**
File Partnership Income Tax Return (Form 1065)

OR

Partnership Extension Due (Form 7004)

**April 30, 2013**

**Businesses:**
1st quarter payroll returns

- Take required minimum distributions (RMD) from your IRA or 401(k) plan (or other employer-sponsored retired plan) if you have reached age 70 1/2. **Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn**
- Make annual exclusion gifts before year end to save gift tax. You can give $13,000 in 2012 and $14,000 (projected) in 2013 to an unlimited number of individuals free of gift tax
- Gift appreciated stock to charity

**Businesses:**

- Purchase and place business equipment and machinery into service before year end to qualify for a **Section 179** deduction which is **$139,000** for **2012** however it reverts back to $**25,000** for **2013** (limitations may apply)
- Purchase and place **new** business equipment and machinery into service before 12/31/12 to qualify for 50% bonus first-year depreciation allowance (expires 1/1/13)
- Set up a self-employed retirement plan if you are self-employed and haven't done so yet
- If you are in the market for a heavy SUV (GVW > 6,000 lbs) consider purchasing before 12/31/12, due to a combination of favorable depreciation and expensing rules you may be able to write off most of the cost of the SUV
- Put your children on the payroll
- **Work Opportunity Tax Credit (WOTC)** allows employers who hire qualified veterans before 1/1/13 to receive a credit from $2,400 to $9,600 (depending on a variety of factors) per employee

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you.

## Estate and Gift Taxes

For 2012, the top transfer tax rate is 35% and the basic exclusion amount is $5,120,000. Unless Congress acts either in 2012 or retroactively in 2013, on January 1, 2013, as a result of the EGTRRA sunset, the transfer tax cost of passing wealth will increase substantially.

Specifically, on January 1, 2013, the estate tax basic exclusion amount and gift tax exemption will drop to $1 million (from $5,120,000 for 2012 transfers), the generation-skipping transfer (GST) tax exemption will drop to $1 million indexed for inflation after 1997 (from $5,120,000 for 2012), the top estate tax rate will increase from 35% to 55% (with a 5% surtax on certain very large estates), the top gift tax rate will increase from 35% to 55%, and the GST tax rate will increase from 35% to 55%.

No one can predict what will happen in the future but taxpayers that have the ability to make a gift in 2012 should at least due (Form 941)

1st quarter sales tax returns due

**2012 Auto/Truck Depreciation Limits with 50% Bonus Rules (new vehicles)**

Qualified Passenger Autos

| Tax Year | Amount |
|---|---|
| 1st Tax Year | $11,160 |
| 2nd Tax Year | $5,100 |
| 3rd Tax Year | $3,050 |
| Thereafter | $1,875 |

Qualified Trucks and Vans

| Tax Year | Amount |
|---|---|
| 1st Tax Year | $11,360 |
| 2nd Tax Year | $5,300 |
| 3rd Tax Year | $3,150 |
| Thereafter | $1,875 |

## Tips For A Faster Individual Tax Return

Complete the Tax Organizer and send all of the followings documents:

- Bank & Brokerage 1099s
- Settlement Stmts for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

consider their different options.

### 3.8% Surtax on Unearned Income and .9% Surtax on Earned Income

Taxpayers face the prospect of a darker tax climate in 2013 for investment income and gains as well as on earned income. Under current law, higher-income taxpayers will face a 3.8% surtax on their ***investment income and capital gains*** under changes made by the Affordable Care Act. If the EGTRRA and JGTRRA sunsets go into effect, all taxpayers will face higher taxes on investment income and gains, and the vast majority of taxpayers also will face higher rates on their ordinary income.

There will also be an additional .9% surtax for Medicare on ***earned*** income for taxpayers with wages of more than $200,000 for single filers and $250,000 for joint filers. For these individuals the Medicare tax paid by the employee will increase from 1.45% to 2.35% after 12/31/12.

For the full article please click on the following link: ***"3.8 Surtax on Unearned Income and .9% Surtax on Earned Income"***

For more information on the Additional .9% Medicare Tax please click on the following link: ***"IRS Q&A for Additional Medicare Tax"***

### Scorecard of Expired and About to Expire Tax Rules

Congress is headed towards an epic battle over sunsetting tax rules, already expired tax breaks and soon-to-expire tax breaks. It looks as if the dust won't settle until late this year. A reasonable scenario would be for Congress to "buy itself time" to formulate a comprehensive tax reform plan by deferring the sunsets for another year, possibly with some modifications, patching the alternative minimum tax (AMT) again for another year, and extending core expired or expiring tax provisions. But in today's highly partisan political environment, a "reasonable" solution may not prevail.

Therefore, it would seem that the wisest contingency plan for taxpayers would be to plan for both best and worst case scenarios and then settle on a course of action when the legislative picture is clear. To help you get a better handle on what's at stake, we've prepared a scorecard of what will change after 2012 under current law, if Congress doesn't take action.

For the full article please click on the following link***: "Scorecard of Expired and About to Expire Tax Rules"***

### Projected Income Tax Rates Schedules

There is uncertainty over which income tax rates will apply for 2013. The uncertainty stems from the EGTRRA sunset and the extent to which Congress may alter it. Using recently released inflation data, 3 different tax rate schedules have projected.

## Frequently Asked Questions?

**What is the standard business mileage rate for 2012?** 55.5 cents per mile

**What is the medical care mileage rate for 2012?**
23 cents per mile

**What is the long-term capital gain rate for 2012 and 2013?**
15% and 20% (18% held > 5yrs)

## Quick Links

Latest News & Events at Rosen & Associates, LLP

IRS

Massachusetts Department of Revenue

Connecticut Department of Revenue Services

New Hampshire Department of Revenue Administration

Rhode Island Division of Taxation

Maine Revenue Services

Vermont Department of Taxes

**To view the 3 alternative tax rate scenarios, please click on the following links:**

***"Projected Income Tax Rate Schedules - Current Rates Extended"***

***"Projected Income Tax Rate Schedules - EGTRRA Sunset"***

***"Projected Income Tax Rate Schedules - President's Proposal"***

## 2012 Market Update

*By: John Maher, Financial Consultant, CCR Wealth Management, LLC*

Equity markets rallied from August into September largely due to the perception that the Federal Reserve would queue off the less-than-stellar economic metrics from the preceding months and enter into a third round of quantitative easing (QE3). The Fed's ultimate announcement did not disappoint. While the markets have not rallied to new highs since the announcement, they've basically held their gains. Bernanke essentially announced an unlimited commitment to creating dollars and buying mortgage-backed bonds. Across the pond, Mario Draghi made a similar open-ended commitment of the ECB's resources to buying Eurozone bonds in an effort to stem rising interest rates of troubled members-namely Spain, Italy, and of course Greece. At least the ECB plan is "sterilized" in that the central bank would remove other assets from its balance sheet as it adds bonds. Here in the US, the Fed's announcement included a "reverse repo" agreement which would in theory-signal to investors that the economy will not be flooded with newly created wealth-destroying dollars. But we also note that gold prices rallied sharply on this news as well, up 13% from early August to the end of September.

So once again, we find the markets being supported by the Federal Reserve-a great game of expectation, now in its fourth iteration. Our concern is that this round of easing will have no more lasting effect that prior efforts-but for the time being we expect this year's gains to hold while expectations last.

We must turn our attention now to the looming issue of the "Fiscal Cliff", which in our view has the most likely chance of dampening these expectations in the near-term.

In short, the "Fiscal Cliff" refers to the automatic expiration of the Bush-era tax cuts from 2001, 2003, the end of the payroll tax-cuts, as well as the (beginning of the) end of unemployment benefits. In addition, the "sequestration" provision enacted last summer during the debt ceiling negotiations guarantees $100 Billion of government spending reductions in 2013, split mostly between discretionary and defense allotments.

Unless congress acts prior to January 1st, we are likely looking at a 4% reduction in the deficit, and a 4% hit to growth next year-and a likely recession here in the US.

Crowding out this urgent issue is the 2012 election noise. This will likely remain a very close election-both for the White House and for control of the Senate. As such, it is difficult to see either party emerging on November 7th with a "mandate" that would foreshadow what is likely to occur regarding the cliff.

In short, we remain invested, but we also expect bouts of possibly high volatility between Election Day and the end of the year as posturing replaces campaigning and the "Fiscal Cliff" issues finally make it into the news cycle.

The views are those of CCR Wealth Management LLC and should not be construed as specific investment advice. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Investors cannot directly invest in indices. Past performance does not guarantee future results. Securities offered through Multi-Financial Securities Corporation. Registered Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, CCR Wealth Management, LLC. 1400 Computer Drive, Ste 245, Westborough, MA 01581.

*Multi-Financial Securities Corporation and CCR Wealth Management , LLC are not affiliated companies.*

Additional information can be found at http://www.ccrwealth.com

## 2012 & 2013 Tax Numbers

| | 2012 | 2013 |
|---|---|---|
| Annual Def. Contribution Plan Part. Dollar Limit | 50,000 | 51,000 |
| Annual Compensation Limit | 250,000 | 255,000 |
| 401(k) Employee Elective Deferral Limit | 17,000 | 17,500 |
| 401(k) Catch-Up Contribution Age 50 & Over | 5,500 | 5,500 |
| SIMPLE Plan Employee Elective Deferral Limit | 11,500 | 12,000 |
| SIMPLE Plan Catch-Up Contrib. Age 50 & Over | 2,500 | 2,500 |
| IRA (Roth Traditional) Contribution Limit | 5,000 | 5,500 |
| IRA Catch-Up Contrib. Limit Age 50 & Over | 1,000 | 1,000 |
| * Federal Lifetime Gift Tax Exclusion | 5.12M | 1.0M |
| * Federal Lifetime Estate Tax Exclusion | 5.12M | 1.0M |
| Maximum Federal Estate Tax Rate | 35% | 55% |
| Maximum Federal Gift Tax Rate | 35% | 55% |
| Annual Gift Tax Exclusion Per-Person Gifts | 13,000 | 14,000 |
| Section 179 First-Year Depreciation Limits | 139,000 | 25,000 |
| Social Security Taxable Wage Base | 110,100 | 113,700 |
| Standard Deduction (Single) | 5,950 | 6,100 |
| Standard Deduction (Married Filing Jointly) | 11,900 | 12,200 |

* To be indexed for inflation after 1997

Academy of Dental CPAs

### Rosen & Associates, LLP

Phone: (508) 926-2400
Fax: (508) 616-2914
info@rosencpagroup.com

### Affiliated Companies

### MORR Dental Solutions, LLC

Phone: (508) 475-3830
Fax: (508) 475 3930
info@morrds.com

### CCR Wealth Management, LLC

Phone: (508) 475-3880
Fax: (508) 616-4431
info@ccrwealth.com

### Retirement Planning Group, LLP

Phone: (508) 926-2400
Fax: (508) 616-2914
info@rpgllp.com

Forward email

SafeUnsubscribe™

Trusted Email from Constant Contact® FREE
Try it FREE today.

This email was sent to achiuchiolo@rosencpagroup.com by rosen@rosencpagroup.com |
Update Profile/Email Address | Instant removal with SafeUnsubscribe™ | Privacy Policy.

Rosen & Associates, LLP | 1400 Computer Drive | Suite 200 | Westborough | MA | 01581