

2013 Cost-of-Living Limits

IRA Contribution Limit \$5,500
IRA 50 & Over Catch-up
Contribution \$1,000
401(k) Deferral Limit \$17,500
401(k) 50 & Over Catch-up
Contribution \$5,500
SIMPLE Deferral limit \$12,000
SIMPLE 50 & Over Catch-up
Contribution \$2,500
Annual Compensation limit \$255,000
Defined Contribution IRC Sec 415
limit \$51,000
Compensation limit for SEP eligibility
\$550
IRC Section 179 \$500,000
Estate Tax Exclusion
\$5,250,000
Gift Tax Annual Exclusion
\$14,000
Social Security Wage Base \$113,700
2014 Wage Base \$117,000
[2013 & Prior Years' Limits](#)

2013 Standard Mileage Rates:

Business mileage rate **\$0.565**
Medical & Moving mileage rate **\$0.24**
Charitable mileage rate **\$0.14/mile**

TO CONTACT US:

Jennifer A. Jones, CPA, Ltd.
10615 Judicial Drive, Suite 701
Fairfax, Virginia 22030

Phone: 703-352-1587
Fax: 703-352-1927

VISIT OUR WEBSITE AT:

<http://www.jajonescpa.com/>

TO EMAIL US:

[Jennifer A. Jones, Certified Public Accountant](mailto:Jennifer.A.Jones@jajonescpa.com)
[Patricia \(PA\) MOSS, Enrolled Agent](mailto:Patricia.Moss@jajonescpa.com)
[J. Randolph Shull, QuickBooks Certified Professional Advisor](mailto:J.Randolph.Shull@jajonescpa.com)

[Unsubscribe to Newsletter](#)

Have a Topic or Question?

If you have a subject or question that you would like covered in a newsletter, please email us at:
[Newsletter Topic](#)

JENNIFER A. JONES, CPA, LTD.

Volume 15, Issue 1

Client Newsletter

June 2014

Employers Given PINs to Verify Federal Tax Deposits Made by Third-parties:

The IRS recently issued Personal Identification Numbers (PINs) to approximately 500,000 employers that use third-party providers to make deposits on their behalf. The PINs were issued so that employers whose deposits are made using bulk and batch processing can verify that deposits were made on their behalf by the third-party providers. The employer is responsible for depositing the payroll taxes and can be subject to the Section 6672 penalty, regardless of the third-party provider's responsibility. These PINs generally only allow employers to monitor when the deposits are made. This is part of a campaign to minimize instances of third-party service providers failing to pay the federal taxes of employers. See www.irs.gov/uac/EFTPS-The-Electronic-Federal-Tax-Payment-System for more information on the "EFTPS Inquiry PIN."

Individuals May Pay Their Taxes with IRS Direct Pay: The Internal Revenue Service announced the successful start of its new web-based system — [IRS Direct Pay](#) — on IRS.gov, which lets taxpayers pay their tax bills or make estimated tax payments directly from checking or savings accounts without any fees or pre-registration.

IRS Commissioner John Koskinen says "IRS Direct Pay simplifies the payment process, and taxpayers can make a payment from the convenience of a home computer." With IRS Direct Pay, taxpayers receive instant confirmation that the payment has been submitted, and the system is available 24 hours a day, 7 days a week. Bank account information is not retained in IRS systems after payments are made.

From the "Pay Your Tax Bill" icon at the top of the IRS home page, taxpayers can access IRS Direct Pay, which walks the taxpayer through five simple steps. The steps include providing your tax information, verifying your identity, entering your payment information, reviewing and electronically signing and recording your online confirmation.

IRS Direct Pay offers 30-day advance payment scheduling, payment rescheduling or cancellations, and a payment status search. Future plans include an option for e-mailed payment confirmation, a Spanish version and one-time registration with a login and password to allow quick access on return visits.

Employers Cannot Reimburse or Pay Individual Health Care Policies on a Pretax Basis: In recently posted employer healthcare arrangement FAQs, the IRS warns employers about using employer payment plans to reimburse employees on a pretax basis for health insurance premiums the employee pays on an individual policy (either through a qualified health plan in the Marketplace or outside the Marketplace). As explained in Notice 2013-54, these employer payment plans are considered to be group health plans subject to the market reforms, including the prohibition on annual limits for essential health benefits and the requirement to provide certain preventive care without cost sharing. Notice 2013-54 clarifies that such arrangements cannot be integrated with individual policies to satisfy the market reforms. Consequently, such an arrangement fails to satisfy the market reforms and may be subject to a \$100/day excise tax per applicable employee (which is \$36,500 per year, per employee) under IRC Sec. 4980D. (The term *employer payment plan* generally does not include an arrangement under which an employee has the option of receiving an after-tax premium reimbursement or taking that amount in cash compensation. Thus, employers can reimburse employees for individual policies on an after-tax basis without violating market reforms.) The IRS FAQs can be found at www.irs.gov/uac/Newsroom/Employer-Health-Care-Arrangements [Back to Top](#)

Sub-S Stockholder's Health Insurance Individual Policies: With respect to more-than-2% S shareholders and partners, where prior guidance has directed that health insurance premiums must be paid or reimbursed by the entity, that arrangement generally may continue. For example, under Notice 2008-1, an S corporation shareholder must have the S corporation reimburse the individual premium, report it to the shareholder as compensation on the Form W-2, and then wash that extra income out on page one of the Form 1040 with the self-employed health insurance deduction under IRC Sec. 162(l). These arrangements are not using employer benefit status (the benefit is included in the shareholder's taxable wages) and should be permissible going forward. However, these arrangements have been exempt from FICA in the past; that does not appear to be permissible going forward because FICA-free status requires an employer health plan under IRC Sec. 3121(a)(2). Accordingly, for the 2014 plan year and after, the premium reimbursement should be reported as taxable wages for both income tax and Social Security tax purposes (in order to avoid the \$100 per employee/day penalty). [Back to Top](#)

Portability Election Allowed Despite Late-filed Estate Tax Return: An executor can elect to transfer the decedent's unused basic estate tax exclusion amount to the surviving spouse and, thus, avoid wasting that amount. This is referred to as the portability election and is made by timely filing an estate tax return, Form 706, even if a return would not otherwise be required. In this ruling, the executor didn't file Form 706 because the value of the decedent's estate was less than the basic exclusion amount. Upon realizing the return should have been filed to make the portability election, the executor requested an extension of time to file. In its analysis, the IRS distinguished between statutory and regulatory elections, concluding that the portability election for estates not otherwise required to file an estate tax return is a regulatory election. Thus, the IRS had discretionary authority under Reg. 301.9100-3 to grant an extension of time to elect portability. If the estate had been required to file an estate tax return under IRC Sec. 6018 because the estate value exceeded the basic exclusion amount, the portability election would have been a statutory election, and the IRS would not have authority to extend the time for filing the return. Rev. Proc. 2014-18 allows an extension of time to elect portability, but only for estates of decedents who died in 2011, 2012, and 2013 that were not otherwise required to file. Ltr. Rul. 201421002. [Back to Top](#)

Keep Your Records Safe in Case Disaster Strikes: Some natural disasters are more common in the summer. But major events like hurricanes, tornadoes and fires can strike any time. It's a good idea to plan for what to do in case of a disaster. You can help make your recovery easier by keeping your tax and financial records safe. See [Preparing for a Disaster](#) Here are some basic steps you can take now to prepare:

1. Backup Records Electronically. Many people receive bank statements by email. This is a good way to secure your records. You can also scan tax records and insurance policies onto an electronic format. You can use an external hard drive, CD or DVD to store important records. Be sure you back up your files and keep them in a safe place. A fireproof safe in your home may not be sufficient, even in the case of a fire. If a disaster strikes your home, it may also affect a wide area. If that happens you may not be able to retrieve your records.

2. Document Valuables. Take photos or videos of the contents of your home or business. These visual records can help you prove the value of your lost items. They may help with insurance claims or casualty loss deductions on your tax return. You should store them with a friend or relative who lives out of the area.

3. Update Emergency Plans. Review your emergency plans every year. Update them when your situation changes. Make sure you have a way to get severe weather information. Have a plan for what to do if threatening weather approaches.

4. Get Copies of Tax Returns or Transcripts. Visit IRS.gov to get [Form 4506](#), Request for Copy of Tax Return, to replace lost or destroyed tax returns. If you just need information from your return, you can [order a free transcript online](#) or by calling 800-908-9946. You can also file [Form 4506T-EZ](#), Short Form Request for Individual Tax Return Transcript or [Form 4506-T](#), Request for Transcript of Tax Return. [Back to Top](#)

Retirement Plan Amendments Are Required: Safe harbor 401(k) plans may be amended mid-year to comply with the Supreme Court’s decision in [United States v. Windsor](#) and related IRS guidance in [Revenue Ruling 2013-17](#) and [Notice 2014-19 \(Notice 2014-37\)](#). The Windsor decision invalidated Section 3 of the 1996 Defense of Marriage Act (DOMA), which barred married same-sex couples from being treated as married under federal law. A retirement plan with terms that are inconsistent with Windsor or Revenue Ruling 2013-17 must be amended to comply ([Notice 2014-19](#)). For example, a plan must be amended if it defines “spouse” by reference to section 3 of DOMA, or only as a person of the opposite sex. Similarly, a plan must also be amended if a plan sponsor chooses to reflect the outcome of Windsor for periods prior to the date Windsor was decided. Required amendments must generally be adopted by the later of December 31, 2014, or the applicable date under the IRS’ general amendment guidance for qualified retirement plans, [Revenue Procedure 2007-44](#) (Q&A-8 of Notice 2014-19).

A safe harbor 401(k) plan must generally be adopted at the beginning of a plan year and maintained throughout the full 12-month year. However, plan amendments to reflect Windsor and related IRS guidance are exceptions to this general rule and may be amended mid-year. Please contact the attorney or broker that maintains your plan document to be sure the plan is in compliance.

[Back to Top](#)