



Certified Public Accountants

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2013 Year End 1040 Client Letter

We are surprised how quickly the year has passed! On the income tax scene Congress continues to work on last minute income tax bills as of the date of this letter, but you can be assured we stay abreast of all the latest changes as they occur!

We are once again making our tax organizers available, for free, to anyone who requests one-if you have not used one in the past please call the office to request one for 2013, as it is our attempt to be as thorough as possible in the preparation of your return. If you received an organizer last year we will mail this year's organizer to the same address. The tax organizer may not be enough however, and we wanted to bring some special items to your attention below.

Home Owner Energy Credits

If you (and spouse if married) made or are considering investing in insulation, storm windows or doors, high efficiency furnaces or water heaters or similar energy improvements there is a 10-30% Federal income tax credit available in many cases. The bad news? It is limited to a maximum of \$500 for insulation and storm doors but unlimited for solar, wind and geothermal power!

Mortgage Interest

Recent IRS scrutiny of home mortgage interest deductions now require us to carefully track re-financings and the use of loan proceeds. Please provide us with any new home loan information, closing statements from any re-financings, and a summary of what any additional loan proceeds were used for.

Charity

A scary IRS court case in 2008 reminds us of the rules on charitable contributions. ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250, and should also state that no goods or services were received in return for the contribution.

Foreign Accounts

If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account, rental property, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mileage Deductions

Deductible mileage rates changed during the year. Please provide us with the number of medical miles you drove during the year for this deduction. This includes trips to the doctor, dentist, pharmacy, dialysis, as well as any charity related volunteer work mileage.

Education Credits

A major revision of college credits by President Obama has provided us with the "American Opportunity Credit", a special credit for undergraduate college students. If you have children in college or near to college, please discuss some options with us to assure that you receive the best benefit for these costs.

Rental Property

If you own rental property, this year the IRS has demanded substantially more information. We now need, **FOR EACH PROPERTY SEPARATELY**, the physical location, the type of property (single-family, duplex, etc), and Forms 1099-K received, and a record, by property of the number of days rented and the number of days used for personal purposes.

Roth IRA Conversions

You will be continue to hear from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2013 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2013 must be completed by December 31, 2013.***

Gift Changes

Effective 1/1/2013 the amount you may give to one person in one year without any return filing requirements has been increased to \$14,000. Additionally, Congressional inaction on the estate tax front requires most people that have any substantial net worth to immediately consider estate planning. Please contact us to discuss these issues.

Worthless Stocks and Bonds

If you own stocks or bonds that became worthless this year please be sure to provide us with the cost and purchase dates so that we can take any allowable deductions.

Tax Planning

There is still time to setup an appointment for year-end tax planning by December 31. We recommend a meeting if you have had any major changes during 2013 or are expecting major financial changes in 2013 such as retirement, inheritances, etc.

Future Income Tax Rates & Other

Now that the Congress has passed the biggest tax increase since World War II we can do some planning for future years. Congress has also dramatically changed the estate tax rules for the future. In both cases we highly recommend that when you are getting your information to us for your 2013 Federal tax return that you set an appointment for an after tax season "Tax Tune Up" to examine tax and estate planning strategies. If your income is over \$200,000 it is almost mandatory that we meet for future tax planning because of surtaxes.

If you receive any Form 1099-K please be sure to bring it to us, it may have a direct impact on your return.

Thank you again for your continued support.