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NEWSLETTER

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Tangible Property Tax Notice

Within the next several weeks you should be receiving a 2017 Tangible Property Tax Notice from your County (assuming you owned tangible property used in the business as of January 1, 2017, and filed a tangible personal property tax return). While this notice will likely indicate that it is not a bill, it will certainly become one in November, along with real property ad valorem taxes.

We are writing to remind you to pay close attention to the values indicated on your tangible property tax notice. Even though we take great care in making sure you report only those tangible personal property assets that are in use by your business, and each year forward to you a detailed property asset listing in order to remove disposed property, your County utilizes their own internal techniques for valuation and reporting purposes.

What this means is that even though an asset may be shown as fully depreciated on your business property depreciation schedule, the County will likely show, and tax, at least a residual value. In addition, service lives used by the County for valuation purposes often exceed the depreciation lives used on your depreciation schedule, causing values to exceed the net book value shown on your financial statements.

Furthermore, if your tangible property's assessed value is determined to be less than $25,000, you will not be required to file a return in subsequent years, unless newly purchased assets cause the total value to exceed $25,000.

If, after reviewing your tangible personal property notice, you believe the assessed values shown by the County exceed, by a significant amount, the actual fair market value of your personal property as of January 1, 2017, your next step would be to contact your County Property Assessor's office and request a detailed listing of your personal property record. This report will include useful lives and fair market values assigned by the County.

Once you have reviewed your detailed asset listing, if you believe significant differences exist between the value assigned by the County and fair market value, you should again contact the County Assessor's office and request a conference to review these differences.

In order to successfully challenge the value assigned by the County, you will need evidence substantiating the fair market value you believe is correct. For example, for the value of a copier, you might contact your copier vendor and request a letter indicating their estimate of fair market value. Also, if you choose to appeal your valuation, your application for hearing must be filed by September 12, 2017.

In light of the above, you should be mindful of the fact that the tangible tax rate is approximately $23 per $1,000 of assessed value (based on the 2016 average county rate). Therefore, you should carefully consider the potential benefit of appealing your tangible property values against the time and effort required to potentially obtain a lower valuation and tax.

Of course, we remain available to assist you with any of the above. Should you have any questions regarding your tangible property notice or tangible personal property return, please do not hesitate to call.

Shifting Capital Gains to Your Children

If you're an investor looking to save tax dollars, your kids might be able to help you out. Giving appreciated stock or other investments to your children can minimize the impact of capital gains taxes.

For this strategy to work best, however, your child must not be subject to the "kiddie tax."

This tax applies your marginal rate to unearned income in excess of a specified threshold ($2,100 in 2017) received by your child who at the end of the tax year was either: 1. Under 18, 2. 18 (but not older) and whose earned income didn't exceed one-half of his or her own support for the year (excluding scholarships if a full-time student), or 3. A full-time student age 19 to 23 who had earned income that didn't exceed half of his or her own support (excluding scholarships).

Here's how it works: Say Bill, who's in the top tax bracket, wants to help his daughter, Molly, buy a new car. Molly is 22 years old, just out of college, and currently looking for a job — and, for purposes of the example, won't be considered a dependent for 2017.

Even if she finds a job soon, she'll likely be in the 10% or 15% tax bracket this year. To finance the car, Bill plans to sell $20,000 of stock that he originally purchased for $2,000. If he sells the stock, he'll have to pay $3,600 in capital gains tax (20% of $18,000), plus the 3.8% net investment income tax, leaving $15,716 for Molly. But if Bill gives the stock to Molly, she can sell it tax-free and use the entire $20,000 to buy a car. (The capital gains rate for the two lowest tax brackets is generally 0%.)

Organize Your Tax Records

In many parts of the country, the dog days of summer are a good time to stay inside. If you're looking for a practical activity while you beat the heat, consider organizing your tax records. Granted, it may not be as exhilarating as jumping off the high dive, but a dip into these important documents now may save you a multitude of headaches later.

Tax law rules

Generally, you should keep tax-related records as long as the IRS has the ability to audit your return or assess additional taxes — in other words, until the statute of limitations expires. That means three years after you file your return or, if later, three years after the tax return's original due date.

In some cases, the statute of limitations extends beyond three years. If you understate your adjusted gross income by more than 25%, for example, the period jumps to six years. And there's no statute of limitations if you fail to file a tax return or file a fraudulent one.

Longer periods

Although the IRS statute of limitations is a good rule of thumb, there are exceptions to consider. For example, it's wise to keep your tax returns themselves indefinitely because you never know when you'll need a copy of your individual income tax return.

For one thing, the IRS often destroys original returns after four or five years. So, if the IRS comes back 10 years later and claims you never filed a return for a particular year, it can assess tax for that year even though the limitations period for properly filed returns has long since expired. As you can see, it would be difficult to defend yourself without a copy of your tax return.

W-2 forms also are important to keep at least until you start receiving Social Security benefits. You may need them if there's a question about your work record or earnings in a particular year.

Property and investments

If you have property records, it's best to keep closing documents and records related to initial purchases and capital improvements until at least three years (preferably six years in case you understated your income by more than 25%) after you file your return for the year in which you sell the property.

When it comes to sales of stocks or other securities, retain purchase statements and trade confirmations until at least three years (preferably six years) after you file your return for the year in which you sell these stocks or other securities.

Grains of sand

Many years' worth of tax and financial records can accumulate like grains of sand on your favorite beach. So, the better your documentation is organized, the easier time you'll have filing your return every year and dealing with any IRS surprises.

If we prepared your return, we maintain electronic records for six years. Of course, we also provide you a copy of your return at the time of filing. Should you need a copy of a prior return and cannot locate your copy, please let us know and we will be pleased to provide you a replacement.

Tax Filing Deadlines

Since April has passed, its sometimes easy to forget about extended tax returns. Nevertheless, individual, corporate, partnership and trust returns will all be due in the near future. If you have not already done so, now is the time to complete the gathering of your tax records in order to avoid a last-minute rush, which can potentially cause missed deductions or other errors.

Should we prepare your return and you have any questions about outstanding items needed to properly complete your return preparation, please don't hesitate to e-mail or give us a call.

TAX CALENDAR

AUGUST & SEPTEMBER 2017

AUGUST 2017

August 10
Employees who work for tips - if you received $20 or more in tips during July, report them to your employer. You can use Form 4070.

August 15
Social Security, Medicare, withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in July.

SEPTEMBER 2017

September 11
Employees who work for tips. If you received $20 or more in tips during August, report them to your employer. You can use Form 4070.

September 15
Individuals - Make a payment of your 2017 estimated tax if you are not paying your income tax for the year through withholding (or will not pay in enough that way). Use Form 1040-ES. This is the third installment date for estimated tax in 2017.

Employers - For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in August if the monthly rule applies.

Corporations - File a 2016 calendar year income tax return (Form 1120 or 1120-A) and pay any tax due. This due date applies only if you timely requested an automatic six-month extension.

Deposit the third installment of estimated income tax for 2017. Use the worksheet Form 1120W to help estimate tax for the year.

S corporations – File a 2016 calendar year income tax return (Form 1120S) and pay any tax due. This due date applies only if you timely requested an automatic six-month extension. Provide each shareholder with a copy of Schedule K-1 (Form 1120S).

Partnerships – File a 2016 calendar year return (Form 1065). This due date applies only if you were given an automatic five-month extension. Provide each partner with a copy of Schedule K-1 (Form 1065) or a substitute K-1.

Electing large partnerships – File a 2016 calendar year end return (Form 1065-B). This due date applies only if you were given an automatic six-month extension.

Other helpful on-line services

www.IRS.gov
www.MyFlorida.com
&
www.Volusia.org