

2014 GROWTH in the OFFICE

As your business grows and changes so does ours. We've expanded to bring you the expertise of a few great advisors. Meet the PK Tax Services team:

Andrea Kolbus: Ensuring you are taken care of from start to finish, addressing general concerns and keeping us on track.

Carl Deitrick: A CPA since 2009, he is here to help individuals and small businesses with their tax and accounting needs.

Tami Kolbe: Our dedicated accounting and payroll specialist providing quality service to every client.

Kathy Senn Birong: A certified QuickBooks ProAdvisor available to provide you with bookkeeping services as well as training and guidance.

Barb Malicki: Our individual taxation specialist with experience with high net-worth groups and family office operations.

Dave Kolodziej: Here to focus on various PK Tax business matters including billing and collections.

Want to read more or contact them directly? <http://www.pktaxservices.com/meet-team/>

Quick Tax Tips

For 2014, the annual limitation on Health Savings Account contributions for an individual with family coverage under a high deductible health plan (HDHP) is \$6,550 up from \$6,450 in 2013. For an individual with self-only coverage under an HDHP, the annual limit is \$3,300.

The rate for the new simplified method for the home office deduction is \$5 per square foot for the part of your home used for business. The maximum footage allowed is 300 square feet. This means the most you can deduct using the new method is \$1,500 per year.

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Need a break from tax time? Try your hand at this puzzle.

	6		9					5
	7		6		4		3	
	9	5	8					
9					6			
	1	8				6	2	
			2					4
					9	7	5	
	4		7		1		6	
6					5		1	



Dividends and Long-term Capital Gains

How investment rates may affect your taxes...

Due to The American Taxpayer Relief Act of 2012 (ATRA), dividends and long-term capital gains may be taxed differently for some in 2013, than in previous years.

The 0% and 15% dividends and capital gains rates were made permanent by ATRA. This means that if your tax bracket is 15% or below, you do not pay taxes (0%) on your dividends and capital gains. If your tax bracket is 25-35%, you'll pay 15% on your dividends and capital gains.

The ATRA also implemented the new 39.6% income tax bracket for single filers who make over \$400,000 and married filers making over \$450,000. These filers will pay a 20% tax on dividends and capital gains.

Did you Know...

Couch potatoes can thank Chicago because the remote control was invented here in 1950.

Does your Business have a Website? You may be entitled to deductions

Whether you are planning to start a new business or looking to advertise your existing business, having a website is a good tax planning strategy if you are looking to reduce taxable income. Developing a functional website may be difficult, but taking the tax deduction is easy. Just keep track of the following expenses:

- Computers and peripherals, including monitor, mouse, keyboard and printer. Note whether it is new or used, so bonus depreciation can be taken if eligible.
- Internet and phone charges.
- Consultant fees (an expert can be helpful for a quick set-up and thoughtful design).
- Domain registration fees.
- Web hosting fees (monthly or annual).
- Software used to develop and maintain the site.

Storing Tax Records

The IRS requires documentation when it comes to claiming deductions and tax credits. If you are ever faced with a tax audit, it's likely the IRS will want you to show proof of the items you claimed on your return.

- Keep copies of your filed tax returns along with your tax records. They'll be helpful in the preparation of future returns.
- Federal law requires you to keep records to support items reported on your tax return. You should keep basic records that relate to your federal tax return for at least three years. Basic records are documents that prove your income and expenses. This includes income information such as Forms W-2 and 1099. It also includes information that supports tax credits or deductions you claimed. This might include sales slips, credit card receipts and other proofs of payment, invoices, cancelled checks, bank statements and mileage logs.
- If you own a home or investment property, you should keep records of your purchases and other records related to those items. You should typically keep these records—including those related to home improvements—at least three years after you have sold or disposed of the property.

UP to the
MINUTE
TIMELY TAX TIPS

SPRING 2014

Business Tool Tip

The act of business networking can be a daunting task for many professionals, but has become an essential piece of any successful marketing plan. Solid research, time, connections and follow up are all required to make your efforts worth the investment.

Here are the five best tips to effective business networking.

1. Research and plan
2. Schedule your events
3. Have a goal
4. Follow up
5. Evaluate your effort

For the details visit: <http://www.pktaxservices.com/?p=2334>

Individual Tool Tip

Do you dream of sandy beaches, a trip overseas or simple days with grandkids at the zoo? Retirement comes for all of us, the difference is when and how we spend what we have saved. No matter your dreams or plans, here are four reasons you should be investing now to ensure you can retire the way you wish.

- You'll be reducing your taxable income
- You will boost the tax-deferred growth potential of your savings
- You may likely qualify for the full employer match
- You will invest more efficiently

Read the full details: <http://www.pktaxservices.com/?p=2227>

Lifestyle News to Use

While a lemonade stand is a classic summer activity for kids & parents, it's also a great way to help teach children about earning money, building community and expressing creativity. Below are five creative tips to make your booth stand out above the rest.

1. Donate: Donate the proceeds to a local cause
2. Just add iced coffee: Expand the offerings
3. Promote: Build a marketing campaign
4. Timing is everything: Open your stand during upcoming events
5. Incentivize: Give children a reason to do it again

Get the details: <http://www.pktaxservices.com/?p=1988>

New Reporting Requirement Report change of address to IRS

Beginning January 1, 2014, any entity with an employer identification number (EIN) must file Form 8822-B, Change of Address or Responsible Party — Business. For entities that trade shares or interests on a public exchange, or that are registered with the Securities and Exchange Commission, the responsible party is: (a) the principal officer, if the business is a corporation; (b) a general partner, if a partnership; (c) the owner of an entity that is disregarded as separate from its owner; or (d) a grantor, owner or trustee, if a trust. For all other entities, the responsible party is the person who has a control over funds or assets.

Use Form 8822-B to notify the IRS if you changed your business mailing address, your business location or the identity of your responsible party. Form 8822-B must be filed within 60 days of the change. If the change in the identity of your responsible party occurred before 2014, and you have not previously notified the IRS of the change, you should have filed Form 8822-B before March 1, 2014, reporting only the most recent change. If you have concerns about this, please contact our office for assistance.

Material Participation Are your losses deductible?

You can have a significant financial interest in a business, and yet not materially participate. You are required to identify the amount of your participation in a trade or business activity for each year and are considered to materially participate in an activity that you work on for a regular, continuous and substantial basis in business operations.

If you do not materially participate, your losses are considered passive. This generally means the losses are only deductible against passive income. Passive losses can carry forward and are fully deductible in the year the activity is disposed of.

Material participation is time sensitive. You are considered to materially participate in an activity only if you meet any one of the following seven material participation tests:

1. You work 500 hours or more during the year in the activity.
2. You substantially do all the work in the activity.
3. You work more than 100 hours in the activity during the year and no one else works more.
4. You work 100-500 hours in multiple significant participation activities (SPA) and the sum of the SPAs exceed 500 hours for the year.
5. You materially participated in the activity in any 5 of the prior 10 years.
6. The activity is a personal service activity and you materially participated in that activity in any of the 3 prior years.
7. Based on all of the facts and circumstances, you participate in the activity on a regular, continuous and substantial basis during such year. However, this test only applies if you work at least 100 hours in the activity, no one else works more hours and no one else receives compensation for managing the activity.

Inherited Property Receive a step-up in basis

Losing a loved one is never easy. If you inherit property, there are some things you need to know that could potentially save you thousands of dollars when you decide to sell the property.

Generally, when you inherit property, it receives a step-up in basis. Basis is the cost of the property when it is purchased. However when a property is inherited, the basis is allowed to equal (to be stepped-up to) the fair market value of the property on the day of the decedent's death. This becomes important when you decide to sell the property and have to calculate capital gains tax.

For example, let's say your grandfather purchased a home in 1960 for \$40,000, which was his basis. On the day he died, the fair market value of the home is \$250,000. You later inherit the home, so your basis is \$250,000. If your grandfather had gifted you the home prior to death, your basis would have only been \$40,000.

Because of this IRS provision, any appreciation that occurs during the decedent's lifetime will never be taxed.

Want more Up to-the Minute tax information?
<http://pktaxservices.com/blog>

Pat's Pick



Whew! Another tax season is over. Now what about planning for next year?

Here are some of my favorite mobile apps for staying organized on the go and making filing easier in 2015:

Simplee Wallet: a free app available for iOS and Android that helps track and manage medical expenses.

Gas Cubby: tracks miles, gas and maintenance expenses. Free but only available for iOS.

Shoebboxed: free and paid versions are available for both iOS and Android. This app digitizes and archives receipts. It also organizes your information into a searchable database. How easy is that?

iDonatedIt: iOS only – helps you track donations by keeping track of the market value, the date of the donation and the charity to whom it was donated. You can even snap a photo.

Expensify: free and available for Windows, Blackberry, iOS and Android. This is terrific app for independent contractors. It captures attachments and receipts and transforms them into IRS approved documents.

Did you Know...

Spray paint was invented in Chicago in 1949.

Let's Connect



Blog Articles

Read these posts plus many others on my blog

1. Tax Rules - Mixing Business & Pleasure Expenses
2. IRS Tax Tips for ObamaCare
3. Tax Calendar for Self-Employed
4. Common Tax Mistakes to Avoid