



Clemmons & Company Inc.

"ONE ON ONE SERVICE IN ACCOUNTING, TAXES AND BUSINESS CONSULTING"

NEWSLETTER

By: Faythe A. Clemmons, EA, ABA, ATP

December 2012/January 2013

TO BE OR NOT TO BE - WHAT SHOULD YOU DO?

With the recent election, so many of the tax laws are still up in limbo as well as many of the tax provisions are set to expire at the end of this year. Tax season 2013 has been named as Taxmageddon. It is imperative that you prepare for the impending changes in order to feel the least effect of the current tax situation.

TAX LAW CHANGES

This upcoming tax year has most tax professionals perplexed as Congress has not finalized many of the tax laws. For that reason here are some of the tax changes, some of which are awaiting final approval from Congress.

- ◆ Standard Deduction – Single/Married Filing Separately increased to \$5,950. Married Filing Jointly/Qualifying Widow increased to \$11,900. Head of Household increased to \$8,700.
- ◆ Medicare Tax - Effective for tax years beginning January 1, 2013, a 3.8% surtax will be imposed on a taxpayer's net investment income. A .9% surtax will be imposed on taxpayer's earned income when the earned income exceeds \$250,000 for Married Filing Jointly, \$125,000 for Married Filing Separately and \$200,000 for Single and Head of Household filers.
- ◆ Social Security Tax - The employee side of the Social Security Tax was reduced to 4.2% for tax years 2011 and 2012.

- ◆ AMT Exemption – The higher Alternative Minimum Tax exemption expired after 2011 which could mean a larger number of taxpayers may be faced with the Alternative Minimum Tax.
- ◆ Medical Expense Deduction – Pay as many medical expenses in 2012 as possible being that the threshold for medical expenses is increasing to 10% from the current 7.5%.
- ◆ Medical Flexible Spending Arrangement - For tax year starting in 2013, the Medical FSAs will have a \$2,500 contribution limit for salary reductions.
- ◆ Depreciation and Section 179 - For tax year 2012, bonus depreciation decreased to 50% from 100% and for tax years starting in 2013 the bonus depreciation is eliminated. The maximum Section 179 for tax year 2012 is reduced to \$139,000 and for tax year beginning in 2013 the amount is further reduced to \$25,000.
- ◆ Gift and Estate Tax Exemption – For tax year 2012, the exemption for gifts and deaths is \$5,120,000; however, for tax year 2013, the exemption will decrease to \$1,000,000
- ◆ Adoption Credit – For tax year 2012, the credit will not include the extra \$1,000.
- ◆ Standard Mileage Rates – For 2012, the standard mileage for business is 55.5 cents a mile; the medical and moving mileage rate is 23 cents a mile.
- ◆ Voluntary Employee Classification Program – This program permit taxpayers to voluntarily reclassify workers as employees for federal employment tax purposes going forward. If accepted into the program, a taxpayer will receive audit protection for reclassified employees and will not be liable for interest and penalties on the payroll tax liability.

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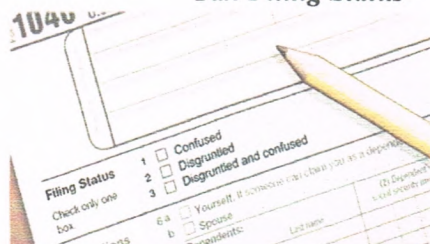
2011 EXPIRED TAX PROVISIONS

- ◆ Tuition and Fees Deduction
- ◆ Educator Deduction
- ◆ Personal Residence Energy Credits (for energy improvements)
- ◆ Energy Efficient Appliance Credit
- ◆ Plug-In Electric Vehicle Credit
- ◆ Plug-In Conversion Credit
- ◆ Homebuilder Credit
- ◆ Sales Tax Deduction
- ◆ Home Mortgage Insurance Deduction
- ◆ Alternate Minimum Tax Exemption and Use of Personal Credits
- ◆ Fifteen Year Depreciable Life for Qualified Leasehold Improvements, Qualified Restaurant Property Improvements and Qualified Retail Establishment Improvements
- ◆ Refundable Portion of Adoption Credit
- ◆ Tax Free Transfers of IRAs Directly Related to Charity
- ◆ Work Opportunity Credit (except for certain veterans)
- ◆ Research Credit

2012 EXPIRED TAX PROVISIONS

- ◆ Child Care Tax Credit for employers
- ◆ Student Loan Interest Deduction - the current rules terminates. The deduction will limit the interest deduction to only the interest paid during the first 60 months of the repayment period.
- ◆ Higher Gift and Estate Tax Unified Credit
- ◆ American Opportunity Tax Credit. Effective for tax year beginning in 2013 only the Hope and Lifetime Learning Credits remain.

Tax Filing Status



- ◆ Bonus Depreciation
- ◆ Higher Dependant Care Credit levels and percentages
- ◆ Child Tax Credit decreases to \$500 per qualifying child for tax year beginning in 2013
- ◆ Additional Earned Income Tax Credit for the third child
- ◆ Lower earned income level to qualify for the Additional Child Tax Credit
- ◆ Coverdell Education Savings Account - For tax year beginning in 2013 the old rules will apply.
- ◆ Tax Rates and Brackets will revert to the pre-President Bush levels which means the lowest individual rate will increase to 15% from 10%. The 0% long term capital gains rate increases to 10% and the long term capital gains rate increases to 20% from 15%

RECEIVE ACCOUNTING & TAX SERVICES FREE

Referrals for small businesses in need of accounting and tax representation are greatly appreciated. Individuals with complex tax issues as well as individuals requiring IRS representation for audits and filing/tax issues are also greatly appreciated. To express appreciation, Clemmons and Company will give a credit up to 20% of collected fees for eligible referrals that will be redeemable for our services. Non clients will receive a referral fee instead of a credit.

ARE YOU SOCIABLE?

Do you want to keep up with the latest tax law changes and receive business tips? If so, then become sociable with Clemmons and Company.

Twitter: www.twitter.com/ms1040.

Facebook: <http://tinurl.com/2ubaec5>.

Linked In: **Faythe A Clemmons**

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LIGHTER SIDE

Word Puzzle:

(Please email Alexis @ assistant@clemmonsandcompany.com for answer to puzzle)

L	A	H	X	L	X	U	M	S	O	W	S	S	C
N	P	O	L	A	H	S	D	P	C	N	U	N	B
G	R	C	L	Q	P	N	B	J	I	U	K	O	A
B	I	I	Z	E	E	B	I	A	Z	N	U	I	N
A	L	F	M	D	G	H	G	S	O	C	W	T	T
T	L	A	I	T	E	L	M	D	F	D	Z	C	E
T	5	V	Y	W	A	R	D	T	L	V	D	U	K
E	I	Z	C	T	V	E	A	F	W	C	O	D	C
D	N	Y	I	K	G	Z	S	C	K	A	U	E	A
D	V	P	Z	A	U	0	E	1	I	I	K	D	R
P	A	N	M	K	2	A	0	O	Z	D	C	C	B
C	P	X	N	1	R	4	J	D	C	E	E	S	X
E	A	G	1	A	C	U	A	P	Z	K	Y	M	A
T	E	N	R	O	L	L	E	D	A	G	E	N	T

**1120S • CAPITAL GAINS • APRIL 15
ENROLLED AGENT • MEDICARE • 401K
TAX BRACKET • DIVIDENDS • DEDUCTIONS
TAXMAGEDDON**

"The IRS says it's been getting death threats since the health care bill passed because the IRS is going to be the ones in charge of implementing it. They say the threats people are making to the IRS are so bad, that they are actually hindering the IRS's ability to threaten people." – Jay Leno

What is the definition of an accountant?

Someone who solves a financial problem you did not know you had in a way you do not understand.

A lot of people still have the first dollar they ever made. Uncle Sam has all the others.

Dear IRS,

I would like to cancel my subscription. Please remove my name from your mailing list.



INSIDE NEWS

The Riviera Beach office was under construction and was remodeled after suffering from water damage earlier this year. We lost one but gained two. After almost two years, Nickey Smith, administrative assistant, resigned from Clemmons and Company as she was accepted into nursing school full-time. Congrats to Nickey. We are all very proud of you. Sandy Valdes, account manager/senior bookkeeper, relocated to Northern Florida after her husband was promoted. We are fortunate for modern technology which allows Sandy to work remotely for Clemmons and Company. Jamie Spear, account manager/senior bookkeeper, added an addition to her family. She welcomed another beautiful baby girl to her wonderful family in July. We added two new staff members this year. Sara Bramham is the new assistant bookkeeper. Alexis Blackwell is the new office assistant. Both are wonderful additions to the Clemmons and Company's team and have already made a lasting impression with clients and the firm. Faythe A Clemmons, EA was elected to the Board of Directors of the Palm Beach County Florida Society of Enrolled Agents for the 2012/2013 year.

EDITOR'S NOTE

We would like to welcome all the clients that joined our family in 2012. Thank you all for your loyal support and concern for Clemmons and Company, Inc., my staff and me. We love you all! I would personally like to extend my gratitude and love to all of my employees. Please know that I could not have made it this year without you!!!!

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