

# Tax Chatter

First Quarter 2014

*A publication of The Tax Advantage, LLC*

*It is our mission to educate and inform our clientele about taxes, running a business, and other current events that may impact them or their business.*

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## Tech Corner: Our Favorite Apps

*We have composed a list of our absolute favorite apps that are great helpers when it comes to tax time.*

- **Mileage**

For tracking mileage, we recommend the app “**TripLog**”. This app uses GPS to keep track of your business miles as well as a few other tricks. It will calculate your fuel economy and keep track of maintenance dates such as your last oil change. You can even schedule a reminder for your next oil change in miles or a certain date. Best of all, this app was made with IRS compliance in mind and it is a simple push of a button to send your accountant reports. This app can be found on iPhones or Android phones.

- **Charitable Donations**

When it comes to non-cash charitable donations, it's hard to keep track of exactly how much you have given, *especially* if you donate throughout the year.

- **iPhone**

We recommend “**Donation App**”. The name is simple and it is free, but it is a great place to keep track of and organize all of your cash and non-cash donations.

- **Android**

We recommend “**Charitable Donations Log**”. This app is also a free, organized and user friendly app.

When donating to charity, don't forget to ask for your donation receipt; we will still need it.



## Extensions: Are you wasting time and money?

Over the years I have been asked hundreds of times “can’t I just file an extension”. I always reply with the same answer; yes. However, I then go on to explain that filing an extension only prevents the IRS from assessing the failure to file penalty. The IRS can, and in most cases will assess the failure to pay penalty if you have not paid in at least 90% of what you owe. Below I have compiled a list of the two different penalties you may face if you file late or pay late.

You may owe the IRS but finding out in January what you owe is better than finding out on April 15<sup>th</sup>. Planning and communication with your tax accountant is the key. Our office is here to assist you with the ever growing tax burdens you are facing. Our staff is waiting for your call. We are here to help and are available year round.

Have a minute to spare? Click [HERE](#) for a tax tip video from the IRS!



**The Tax Advantage is accepting new clients!**

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## Failure to File Consequences



### **Failure to file doesn't necessarily mean jail time.**

The IRS will make multiple attempts to work with you before these drastic measures are taken. If you are several years behind, PLEASE call your accountant and begin taking the next steps.

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*"The failure-to-file penalty is generally more than the failure-to-pay penalty."*

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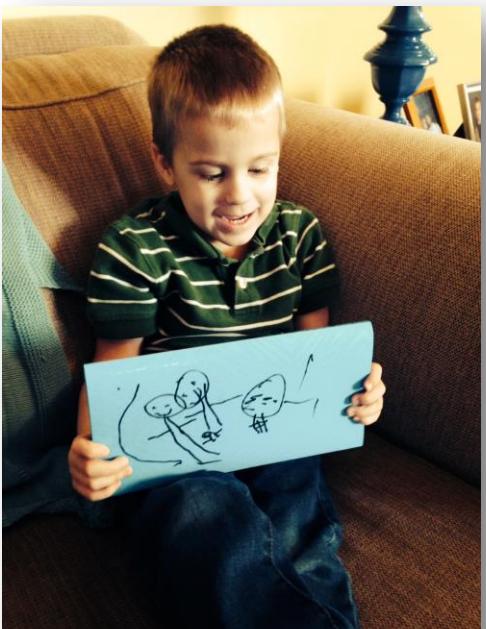
**Here are eight important points about the two different penalties you may face if you file or pay late.**

1. If you do not file by the deadline, you might face a failure-to-file penalty. If you do not pay by the due date, you could face a failure-to-pay penalty.
2. The failure-to-file penalty is generally more than the failure-to-pay penalty. **So if you cannot pay all the taxes you owe, you should still file your tax return on time and pay as much as you can**, then explore other payment options. The IRS will work with you.
3. The penalty for filing late is usually 5 percent of the unpaid taxes for each month or part of a month that a return is late. This penalty will not exceed 25 percent of your unpaid taxes.
4. If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$135 or 100 percent of the unpaid tax.
5. If you do not pay your taxes by the due date, you will generally have to pay a failure-to-pay penalty of  $\frac{1}{2}$  of 1 percent of your unpaid taxes for each month or part of a month after the due date that the taxes are not paid. This penalty can be as much as 25 percent of your unpaid taxes.
6. If you request an extension of time to file by the tax deadline and you paid at least 90 percent of your actual tax liability by the original due date, you will not face a failure-to-pay penalty if the remaining balance is paid by the extended due date.
7. If both the failure-to-file penalty and the failure-to-pay penalty apply in any month, the 5 percent failure-to-file penalty is reduced by the failure-to-pay penalty. However, if you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$135 or 100 percent of the unpaid tax.
8. If you can show that your failure to file or failure to pay on time was due to reasonable cause and not willful neglect, you may not have to pay the penalty.

## DIY: Receipt Organization on a Budget



I let my little helper decorate my receipt organizer while I worked on the labeling.



My receipt organizer now has a family portrait on it!

Keeping track of receipts all year can be daunting, and throwing them into a box jumbled up with other tax documents is just a mess. Below I have listed instructions to make your own receipt organizer. It's simple, inexpensive, and so easy to make you can do it with "help".

### What you will need:

1. Wallet organizer or a check folder. I found mine in the dollar bin at Target. I have seen them at other stores from \$1.00 - \$6.50.
2. Colored Dot Stickers (Think Garage Sale). ≈ \$1.50
3. Marker ≈ \$1.50  
(You probably already have these next two)
4. Tape
5. Index Card/ or Small Piece of Paper

### Now, Get to it!

1. Label the sleeves of your check folder by month. Most will come with blank sticky labels you can use.
2. Place one color of each sticker going down the left side of the index card.
3. Assign a category to each label. Ex: Fuel, Meals, Office Supplies etc...
4. Tape index card to the inside front of your folder.
5. Stick the rest of the colored stickers in the back pocket of your check folder.
6. (Optional) Decorate your new receipt folder.

Now, whenever you get a receipt you would like to keep, all you have to do is pull out your receipt folder, mark it with the correct color sticker, and file it in the correct month. This will make finding receipts easier, and your "shoebox" return a little more organized.

## The Chatter Box

Tax Chatter is a collection of real questions we receive during "Ask the Experts" events, and our corresponding answers.

I would like to change my withholdings.  
How do I do that?

This is a good time of year to think about changing your withholding, especially if your situation has changed. Some examples of why one might change their withholdings are: you bought a home, had a new baby, got divorced, your spouse lost their job. The form one uses to change their withholding is a W-4. Our staff at The Tax Advantage can help.

I really need my refund check. How soon can I file my return?

The IRS has already informed us that the start of tax season will be delayed by at least two weeks. I think it could even be longer for some filers.

I'm thinking about buying more fuel efficient appliances. Will I get a tax credit for that?

Although energy efficient appliances are a good thing, currently, individual tax payers are not receiving tax credits for purchasing them.

Would you like to participate in "The Chatter Box"? Visit our website every Wednesday from 11:00 to 1:00 to chat with us live!

TAX ADVICE GIVEN IN "CHATTER BOX" IS INTENDED SOLELY FOR THE INDIVIDUAL WHO ASKED THE QUESTION. IT SHOULD ONLY BE USED AS A GENERAL GUIDELINE, AS EACH SITUATION IS DIFFERENT. IF YOU HAVE QUESTIONS REGARDING YOUR PERSONAL OR BUSINESS TAXES YOU CAN CALL THE TAX ADVANTAGE AT 317-784-7402. We are here to help.

## Important Dates for Small Businesses

- Jan 15 Individuals: Pay first installment of your 2013 estimated tax.
- Jan 15 Employers: Deposit payroll tax for Dec 2013 if monthly deposit rule applies.
- Jan 31 Furnish forms 1098, 1099, and W-2 to recipients.
- Jan 31 Deposit any FUTA tax owed through Dec 2013.
- Jan 31 File Forms 940, 941, 943, 944 and or 945 if you did not deposit all taxes when due.
- Jan 31 File your tax return if you did not pay your last installment of estimated tax by Jan 15.
- Feb 10 File Forms 940, 941, 943, 944, and or 945 if you timely deposited all required payments.
- Feb 18 File a new form W-4 if you claimed exemption from income tax withholding in 2013.
- Feb 18 Furnish forms 1099-B, 1099-S, and certain forms 1099-MISC to recipients.
- Feb 18 Deposit payroll tax for Jan if the monthly deposit rule applies.
- Feb 19 Begin withholding on employees who claimed exemption from withholding in 2013 but did not file W-4 to continue withholding exemption in 2014.
- Feb 28 File form W-3 with Copy A of all forms W-2 issued for 2013.
- Mar 17 Corporations: File Form 1120 for calendar year and pay any tax due. For automatic 6-month extension, file form 7004 and deposit estimated tax.
- Mar 17 Employers: Deposit payroll tax for Feb if the monthly deposit rule applies.
- Mar 17 S Corporations: File form 1120S for calendar year and pay any tax due. Furnish copy of Sch. K-1 to each shareholder.
- Mar 17 Electing Large Partnerships: Furnish Sch. K-1 (form 1065-B) to each partner.
- Mar 31 Electronically file forms W-2, W-2G, 1098, 1099, and 8027.

JANUARY 2014						
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For other payroll tax deposit dates, check with your accountant or payroll service.

For more important dates visit <http://www.tax.gov/calendar/>.