



H & R PYE'S TAX SAVER

December 2013

Please call by January 24st to preschedule and/or confirm your appointment to be entered into both of our Appointment Contests!

We are trying to be green with our newsletter and checklists. We are only mailing out the newsletter to clients who have requested one. On our website you will find additional information about year end tax savings ideas, as well as general tax info regarding charitable contributions and other topics that may be of interest to you.

We want to encourage you to visit our website at www.pyestax.com and sign up for email notifications so you will be aware of any changes that happen during the year.

Higher Medicare Taxes will apply to some taxpayers. Single taxpayers who make \$200,000 or more and married taxpayers who make \$250,000 or more will now be paying an additional .9% in Medicare taxes on their earnings. Those same taxpayers will be paying a 3.8% Medicare tax on their unearned income. Unearned income includes: Interest, dividends, rental income, income from partnerships, s-corporations, trusts and estates, net gain on property held for investments, annuity income, and the excess gain on the sale of your principal residence.

As always, we will stay on top of the tax developments to make sure we do the best job possible!

Social Security earnings limit for 2014 if you have not reached full retirement age is \$15,480 per year or \$1,290 per month. In the calendar year you reach full retirement age you can earn \$41,400 per year or \$3,450 per month. Once you have been at full retirement age for a full month, you no longer have any earnings limit.

Social Security Earnings Reports will no longer be sent out on an annual basis but you can get these reports yourself by going to the Social Security website. Workers turning 60 will continue to receive one mailed annually until benefits are claimed.

If you have prescheduled your tax appointment, you will be receiving a separate letter with your appointment information. If you haven't, please call as soon as possible to make one.



The various mileage rates have changed—this chart gives you the rates for 2013 and 2014.



IRS Mileage Rates

	2013	2014
Business	\$.565	\$.56
Medical/Moving	\$.24	\$.235
Charitable	\$.14	\$.14

Annual Limitations

As you know, there are limits each year to how much you can give as a gift without having to file a Gift Tax Return, how much you can contribute to your IRA (Regular and Roth), your Deferred Compensation Plan at work, and your Health Savings Account. The following chart provides you with the maximum amounts for 2013 and for 2014.

	2013	2014
Annual Gift Exclusion	\$14,000	\$14,000
IRA contributions	\$5,500	\$5,500
IRA age 50 Catch Up	\$1,000	\$1,000
Simple IRA contributions	\$12,000	\$12,000
Simple IRA Catch Up	\$2,500	\$2,500
401k, 403b, and 457 plans	\$17,500	\$17,500
401k, 403b, and 457 Catch Up	\$5,500	\$5,500
Health Savings Accounts		
Self-plan	\$3,250	\$3,300
Family-plan	\$6,450	\$6,550
Age 55 Catch Up	\$1,000	\$1,000





JUST THE FAX, M'AM:

Just like Joe Friday, we like the fax. Please remember to include a cover page with your documents that includes the date, who your fax is going to, and the number of pages you are sending to us. Also, it is incredibly helpful if you would write page

numbers on the bottom right hand corner of your documents. That way, if not all of the pages come through, we can let you know what pages need to be resent.



Where's My Package?

Many of you have asked, "Why don't I receive my tax package at my appointment?" Good question. You may recall that back in 2011, due to Congress's late passing of tax laws, we were unable to

electronically file returns until late February. In addition, our software company had not fully finalized their forms due to the delay, and we were unable to even print returns. While this was a nuisance to everyone, it did provide us with the opportunity to do the double checking of returns prior to releasing the packages to our clients.

We established the practice of double checking every return at least 15 years ago. It is an important piece of the service we provide to you, and as tax laws and forms become increasingly complicated, it is an essential piece of our practice. The difference between then and now is simple – until 2011, we did the double checking AFTER your return was released to you, but before we filed. Since 2011, we have put the files through this process prior to releasing the files – this ensures the accuracy of your return prior to electronically filing. No one likes to make mistakes, but unfortunately they do sometimes happen. By completely reviewing your return prior to releasing the file to you, we are ensuring the quality and accuracy of your filed return.



BE LIKE SANTA, CHECK YOUR LIST – AT LEAST ONCE, MAYBE TWICE:

It is extremely important that you not only review all pertinent check off lists, but that you also complete them prior to your ap-

pointment with us. When you complete your check off list yourself, you ensure that you have all of your tax information ready for your appointment. This, in turn, allows us to process your return in a timely manner, and eliminates the dreaded (dun, dun, dun) homework assignment. You didn't like getting homework as a kid, and we're guessing you still don't. Homework means that your return is completed as our schedule allows, (regardless of when you get your homework to us),

which means that if you were getting a refund and hope to receive it quickly, that has now been delayed.

We ask that you review the check off list(s), answer the questions with a yes, no, N/A or a "?" if you are not sure. Also, where we ask about W2's, 1099's, SSA, etc. please put the number of items that you have. Some clients find it helpful to have a lined sheet of paper to list their answers; just remember to number them!

And finally – open your mail. You need to be reviewing your statements to be sure they are accurate – it is not at all unusual for an employer to have a typo on your W2, or to transpose a figure, etc. Mistakes happen and they need to be corrected before we can file your return. If you don't open your mail until you are in our office, the processing of your return will be delayed while we wait for a corrected document.

As Congress and the IRS make completing your tax return more complicated, the better prepared you are coming to your appointment, the more time we have to explain your tax situation to you.

Audit and/or Examinations

The auditor's job is simply to verify the accuracy of the tax return as submitted and the taxpayer's job is to prove the income and deductions claimed on the tax return, per the IRS requests. When proof is available, the audit results are no change. When it is not available, taxpayers don't fare as well.

Please keep good records—cancelled checks and receipts—so if your return is chosen for audit—you'll end up in the 'happy' group! Record retention information is on the back of your white tax cover that we give you every year as well as on our website.

Maine Property Tax Rebate Program Replaced

The Maine Residents Property Tax and Rent Refund "Circuitbreaker" Program has been replaced with the new Property Tax Fairness Credit—which is not applied for along with the filing of your Maine Income Tax Return.

Those eligible must meet the following requirements:

1. Were Maine residents during any part of the year;
2. Owned or rented a home in Maine during any part of the year and lived in that home during the year;
3. Had Maine adjusted gross income of not more than \$40,000;
4. Paid property tax on a home in Maine during the tax year that was more than 10% of Maine adjusted gross income or paid rent to live in a home or apartment in Maine during the year that was more than 40% of Maine adjusted gross income.

Maximum benefit of \$300 (\$400 if 70 or older).

Must file a Maine Return to apply for the refund.

We wish you a happy, healthy and prosperous New Year!



IDENTITY THEFT & YOU

It's a sad fact that Identity Theft is on the rise – especially when it comes to tax returns. This is one of the quickest ways for thieves to get money that doesn't belong to them. One thing you

have to remember is that it is not personal – thieves are not targeting you directly. Identity theft has become a high tech group project. Gangs of thieves are known to rent out hotel rooms, setting up computers and filing fraudulent tax returns with stolen social security numbers. Often times you do not know you are a victim until you go to file your return and receive a message that the IRS has already received a return with your social security number.

We have been able to obtain a little bit of information from the IRS that seems to indicate the only personal information of yours on the return is your social security number and possibly your name– the filing status used, the income used, is all made up. It seems that these gangs hit and move on to the next victim; often times, if you are unable to file your taxes electronically one year, you are able to file electronically the next year.

So, how can you safeguard your social security number in this high tech world? If you are shopping online, be sure you know who you are buying from before entering your account information – if you do not see a locked padlock in the address line, DO NOT purchase from that merchant.

Don't send personal information over an unsecured wireless network.

Always close out your browser windows, and remember to clear your history regularly.

Don't give your password to anyone.

Remember that the IRS does not initiate contact with a taxpayer by telephone; Microsoft does not call people saying they see you are having trouble with your computer. If your credit card company was calling to offer you a lower interest rate, they would know your account number – don't give it out to anyone.

Be sure to obtain your credit report – consumers are able to get a free report every year from each credit bureau. Sign up for Credit Karma, a free service that allows you to watch your credit rating along with other information.

If you are a victim of identity theft, contact your local police department to file a report; contact the credit bureaus to have your account flagged. You will also want to file an Affidavit notifying the IRS that you believe your identity has been stolen. Additional information on what to do if you are a victim of identity theft can be obtained at www.irs.gov.

If you are a victim of identity theft and the IRS has provided you with an Identity Protection Pin please bring the IRS letter.

Contest Winners

The 2013 Prescheduled Appointment Winners are (each will receive a \$15 credit memo): Gage Sherman, Jeff & Helen Fields, Ed & Mary Boucher, Pat Diaz, William & Juline Davis, Richard Reed & Sherry McCarthy

The 2013 Hidden Message Winners are (each will receive a \$25 credit memo): Stan & Carla Davis, Judith Campbell, Jim & Janice Singleton, Ron & Linda Burnette, Michael & Juli Mason, and Janette Austin

The 2013 Confirmed Appointment Winners are (each will receive a check for \$100): Millard & Martha Welch, Dennis & Joanne Wheeler and Dot Sarcione.

The 2013 Referral Winner is: Kevin & Jessie Smith who will receive a \$50 credit.

All credits and checks will be held at our office and presented to the winners at their tax appointment.

Save Money On Your Property Taxes

Have you owned your home for at least 12 months and are you a Resident of Maine? If you answer yes to both of these questions you should qualify for the Homestead Exemption—call your town office today and ask about it. You have to file your paperwork by April 1st in order to receive the deduction on your Fall taxes.

Are you or your spouse a veteran and at least 62 years old? If yes, you qualify for the Veteran's Exemption. You will need form DD214 when you call your town hall. Thank you Bill Hames for this information.

Both of these exemptions only have to be applied for once and thereafter you will receive the reduction automatically. This is not a rebate. Instead it is a reduction to the amount of taxes you pay. **They are for everyone regardless of your income.** Any questions, call your town office. If you move to a new home, you need to request that they transfer these exemptions to your new home.

Are You Planning On Mailing Your Tax Information To Us?



Whether you have moved out of the area, are going South for the Winter or prefer not to worry about Maine's winter weather, we are still able to prepare your income taxes for you.

If you want to know when we will be working on your return, please call and set up a paper appointment—that way we know when we will have your information and you will know when we will be working on your return.

We will need: All of your tax information, pertinent check off lists, engagement letter, disclosure form, client information sheet.

We recommend mailing Certified, Return Receipt Requested, Express Mail, FedEx, or UPS.

Holly & Ron—2013 in Review

Well, this has been a stressful year and we are looking forward to a clean slate in 2014.

Just after tax season ended, Ron caught my cold and ended up with Bronchitis. They prescribed Prednisone and it had a bad interaction with other prescriptions that Ron takes. Unfortunately it took a while for the doctors to figure out what was going on. Happy to report no lasting after effects!

We attended numerous tax seminars this summer and fall but stayed in New England—Boothbay Harbor, White Mountains, Massachusetts, Augusta, and South Portland.

We were supposed to go to Disney World in early December, unfortunately Ron started having bleeding episodes again and we had to cancel the trip. Luckily he did not have to be admitted to the hospital.

As you know, Ron has been experiencing health issues, to varying degrees, for the past several years. After much discussion with Holly, his doctors and family, Ron has decided that the time has come to start reducing his practice.

You may remember that we brought Holly's sister Cheryl on board in 2010 to help us with our tax and investment practice. As Ron cuts back on the hours he is working, Holly, Cheryl and the rest of the staff will be stepping in to take some of his clients.

Many of you have already prescheduled your appointment for 2014, and most likely will not be affected. Some of you, however, may be best suited due to your situation, to be transferred to Holly; if that is the case, we will be contacting you in the near future to discuss scheduling your appointment with Holly.

If you already have an appointment scheduled with Ron, we may be in touch with you to move your appointment to another date to accommodate Ron's workload. If you have not yet scheduled your appointment with Ron, you may certainly still call to schedule, bearing in mind that you may not be in a time slot that you have had for years.

If you prefer, you can turn your appointment into a mail in/drop off appointment, which will allow Ron, Holly or Cheryl to work on your return at a time that is convenient for our schedule. If you would prefer to do that, just give our office a call and one of our staff will go over what you will need to bring in with your documents.

We appreciate you placing trust in H & R Pye's over the years; and to thank you for your patience and understanding. The decision to reduce Ron's workload was not an easy one to make, and was not entered into lightly.

The last week of November brought major Computer problems—our server crashed and our back up system had been corrupted by the bad hardware. We thought we were protected with various systems in place but it turned out that not all of the

systems worked.

All of our tax information is safe and has always been safe, but we ended up having to redo some Payrolls for clients and lost 3 weeks worth of phone messages.

We have new and improved systems in place now as well as better communication from the systems to keep us informed about how everything is working.



Caitlin and Carter (our granddaughter and great grandson) came up in Mid December for a week. We spent hours at Jokers in Westbrook where all had fun and then went to the White Mountains for 2 nights so we could do the Polar Express. Carter got to shake hands with Santa Claus! We were in New Hampshire when we got hit with the first big snow storm. We had to change their flight to Manchester Airport but luckily we got them to the airport okay and they and we got home without any problems.

We are pleased to report that we were voted #1 Tax Preparation Firm by the Times Record Readers 2013/2014. We want to thank all of our clients who voted for us!

Due to increased costs we find ourselves in the position where we will have to raise our prices this year. We are in the process of reviewing our prices; there will be a small increase this year. As you know, we are a form based fee system and our prices reflect the complexity of the different forms.

We want to thank all of our clients who helped us raise money for the Maine Coalition to Fight Prostate Cancer and the American Cancer Society. We will again be asking you if you would like to donate to either of these fine organizations. All donations are appreciated, regardless of the size.



Carter's very first Maine Snowman built during their December Vacation with us.

Child Tax Credit, Earned Income Credit and Childcare Credit

One of the biggest problems we encountered last year was the new IRS requirement that we have written proof of your eligible children. Not having this information will cause a significant delay in the finishing of your tax return.

Starting with the 2012 Tax Returns you must have written proof that your child lives with you in order to receive any of these credits:

- ☞ \$1000 Child Tax Credit for your child who is under 17
- ☞ Childcare Credit
- ☞ Earned Income Credit

The proof needs to show the child's name, your name and your child's address.

Acceptable proof:

- School records or statement
- Landlord statement
- Health care provider statement
- Medical records
- Child care provider records
- Social services record
- Church statement

If your child does not live with you, then you must have a signed IRS Form 8332 from the custodial parent giving you the legal right to claim the child.

If you are self-employed we will also need to tell the IRS how we obtained your business income and expenses. Please bring all 1099 Misc statements that you receive and please make sure you either completely fill out the business check off list or provide us with your own paperwork that provides us with the same information.

We have an EIC Questionnaire posted on our website that you should print out and fill in prior to your tax appointment so that we have all the information we need to make sure you qualify for this valuable credit. If you are unable to get it from our website, please call and we can mail it to you.

Fraudulent Tax Refund Claims

Fraudulent tax refund claims are still presenting a big problem for the IRS. Much of this is due to refundable credits that the IRS finds troublesome. So the new direction of IRS refunds seems to be: "When in doubt, don't let the refund out". Therefore the IRS is shifting its focus to 'pick out questionable refund claims and slow them down', feeling it's difficult to recover erroneous refunds after they have been spent. Which is very true. This has resulted in the IRS removing the anticipated deposit date for refunds and can slow down refunds by 2 or more weeks.



How To Reach Us

If you have any questions about any of the articles in this newsletter (or any other tax matters) there are a number of ways to reach us: Local callers **(207) 443-6183** Long distance callers 1-877-pyestax (793-7829) Fax us at (207) 443-8970
 * Email us at hollpye@pyestax.com or ronpye@pyestax.com **Our website is** www.pyestax.com
 * Our office is located at: 46 Varney Mill Road Bath, ME 04530

2014 Contest Deadlines



Hidden Message Contest—December 2013 Newsletter: Everyone who calls in after finding the hidden message will be entered into a drawing for six prizes of \$25 credit memo each. Deadline is February 1, 2014

Prescheduled Appointment Contest: 1st prize: \$25 credit memo, 2nd thru 6th prize winners each get \$15 credit memo towards our services. Deadline is **Friday January 24th, 2014.**

Client Referral Rebates Contest: \$6 credit memo for each referral; Special drawing: 1 to 2 Referrals \$50 Credit Memo; 3 or more Referrals \$75 Credit Memo.

Confirm Your Appointment Contest: Call and confirm your tax appointment by **Friday January 24th, 2014** and be entered into a drawing for 3 separate \$100 cash prizes.

Business & Rental Property Owners



Remember if you own a business you should have all your information totaled by categories in order to minimize any accounting fees.

Also, if you have a business and need W-2s or 1099s prepared, you will get a 50% discount if you give us all of your information by Monday, January 20th. Remember, we need full name, address and social security numbers as well as the amount you paid them in writing. For our protection and yours we **can not accept** this information verbally. You can mail it, fax it, or email it to cheryl@pyestax.com.

Same Sex Marriages



The Defense of Marriage Act (DOMA); means that legally married same sex couples are taxed in the same manner as legally married opposite sex couples. This applies to both the IRS and Maine tax returns.

Please go to www.pyestax.com to print out the checklists and worksheets that you need to prepare for your tax appointment. You can also subscribe to our mailing list—you will be notified by email of any updates as well as the availability of our newsletter and check off lists. We want to thank Jamie Dorr for the fine work she did on updating our website for us.

We are continuing our Preschedule and Confirm Your Appointment Contests—deadline for both is January 24th. We are also continuing the new Hidden Message Contest. That deadline is February 1st. Find the hidden message and call our office with the page number and the article title that holds the hidden message and what the message says. Six winners will be drawn and receive a \$25 credit memo towards our services.

We have increased our Client Referral credit memos from \$6 to \$10 for each referral. And you will still be entered into a drawing for a \$50 or \$75 credit memo for most referrals.

H & R Pye's Tax & Accounting Service
46 Varney Mill Road
Bath, ME 04530

We have increased our Client Referral credit memos from \$6 to \$10 for each referral. And you will still be entered into a drawing for a \$50 or \$75 credit memo for most referrals.

Because we are mandated to e-file all tax returns, we will need to have our fees paid in full before we can transmit your return **AND** we will need your signed IRS Form 8829 as well. We accept checks, cash, and credit and debit card payments. We thank you in advance for your cooperation.

Please help us to help you by filling in the Client Information Sheet completely. Do not assume that we have your current contact information or banking information. Many times we have been told that nothing has changed, and then discover a discontinued phone or cell phone number or even that people have changed their email address and sometimes even moved but never gave us this important information. We also want to make sure that we have your current banking information—the

Various Tidbits

The start of electronic filing has been delayed until the end of January again this time due to the Government furloughs that took place in the fall.

We want to thank our year round staff: Cheryl Bartlett, Linda Johnson and Travis Johnson for all of their hard work all year long and especially at tax time. We want to welcome back our seasonal staff: Lynne Atkinson, Chelsea Bartlett, Doreen Babidge, and Carol Toothaker—without their help tax season would be horrendous! And of course, our furry helpers Interest and Dividend!

The 2013 Energy Credit still applies for exterior windows, doors and skylights, certain propane or oil furnaces and water heaters and stoves using biomass fuel to heat a residence—lifetime maximum credit is \$500, this is set to expire 12/31/13.

The 30% credit (no cap) on larger “green” home improvements such as installing solar panels, wind turbines or geothermal power continues until 12/31/2016.

A simplified Home Office Deduction is effective for Schedule Cs for tax year 2013. It is \$5 per sq. ft. for a maximum of 300 sq. ft. or \$1500. Depreciation is not allowed if this method is chosen.

Interest paid on an unrecorded mortgage isn't deductible, per Tax Court. (DeFrancis, TC Summ. Op 2013-88).

Three common audit triggers are:

- A. The tax return doesn't match reports sent to IRS
- B. Too little income reported on the tax return
- C. Cancellation of debt income reported incorrectly or not at all