Freeman & Williams, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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Dear Client:

Freeman & Williams has gone green! We have started replacing the paper copy of your tax return with a CD copy. This not only will save trees, but will also save you space in your storage facilities. Clients who do not wish to receive their tax returns by CD can request an old-fashioned paper copy.

Third Quarter Estimates

Don't forget to pay your third quarter personal estimate and/or third quarter calendar year corporate estimate by September 16, 2013. If you need any tax planning or projection prepared for this quarter, please contact us.

Begin Tax Planning Now - Back to School and IRA Ideas

Tuition Payments Directly to Education Institution or Healthcare

Typically, taxpayers are limited to an annual amount per donee that they can gift before a gift tax return is required. For 2013, that limit is $14,000 in cash or property. Beyond that limit, the taxpayer must file a gift tax return to determine if they owe tax on the gift. There is an exception to this rule for gifts made directly to a school or medical provider (not to an individual to cover educational or medical costs). A donor has an unlimited exclusion for these qualified transfers. Payments for books, supplies, dormitory fees, and board do not qualify for the unlimited exclusion.

Setting up a Roth IRA for your Children

If your child had a summer job, they are eligible to set up a Roth IRA. You can contribute an amount equal to their earned income up to a maximum of $5,500. Although the contribution is not deductible to offset the child's taxable income, the Roth account will have an opportunity for long-term growth and the distributions will ultimately be tax-free.

Donating Your IRA Distributions

The American Taxpayer Relief Act of 2012 (TRA) extends through 2013 the provision which allows individuals who are at least 70½ by the end of the year to exclude from gross income

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qualified charitable distributions up to $100,000 from a traditional or Roth IRA that would otherwise be included in income (a Roth is typically non-taxable, unless you withdraw funds within five years of setting up the account). Married individuals filing a joint return are allowed to exclude a maximum of $200,000 for these distributions ($100,000 per individual IRA owner).

Just as the amount of your distribution is excluded from your income, it is also excluded as a charitable donation. This can work to your advantage, since you are reducing your adjusted gross income. For 2013 and forward, this is important because the TRA reinstated what tax professionals know as the Pease limitation on itemized deductions. The Pease limitation limits the amount of itemized deductions that you are allowed to deduct based on your adjusted gross income. The Pease limitation applies to taxpayers in higher tax brackets. For 2013, the adjusted gross income thresholds are $250,000 for single individuals, $300,000 for married couples filing joint, $275,000 for heads of households, and $150,000 for married filing separately. A taxpayer's itemized deductions are reduced by 3% of the amount by which their adjusted gross income exceeds the amounts noted.

If any of the above situations are of interest to you, or if you would like to discuss other IRA strategies, please contact our office at 775.882.3201.

Sincerely yours,

Freeman & Williams, LLP