



Midyear Tax Planning Ideas

Tax planning is a year-round process, so now is a good time to think about the following:

Are you considering making a cash gift to a relative? If so, consider making the gift in conjunction with the overall revamping of your stocks and mutual funds held in taxable brokerage accounts to achieve better tax results. Don't gift loser shares (currently worth less than you paid for them). Instead, sell these shares, recognize the capital loss on your tax return, and then gift the cash proceeds to a relative. However, do gift winner shares to lower tax bracket relatives (unless they are under age 24 and subject to the kiddie tax). The 2014 annual gift tax exclusion is \$14,000.

Are you considering making a contribution to a favorite charity? The previous strategies will also work well for contributions to qualified charities. Sell loser shares, recognize the loss on your tax return, and then give the cash proceeds to the charity and claim the resulting charitable contribution (if you itemize). Donate winner shares to the charity and deduct the full current fair market value at the time of the gift (without being taxed on the capital gain). The tax-exempt organization can sell your donated shares without owing tax.

Are you self-employed? Consider employing your child in the business (but pay a reasonable wage for their age and work skills). This practice can shift income (which is not subject to the Kiddie Tax) to the child who is normally in a lower tax bracket, decrease payroll taxes, and enable the child to contribute to an IRA.

Is your estate plan current? If you already have an estate plan, it may need updating to reflect the current estate and gift tax rules. For 2014, the unified federal gift and estate tax exemption is a generous \$5.34 million, and the rate is 40%.

Furthermore, the impact of the Supreme Court's Windsor decision and resulting IRS changes in the federal definition of marriage mean that legally married same-sex couples need to revise their estate plan. Plus, there may be non-tax reasons to update your estate plan.

Please contact us to discuss any tax planning strategies you are interested in implementing.

IRS Warns Taxpayers to Beware of Phishing Scams

Phishing is a scam typically carried out by unsolicited e-mail and/or bogus websites posing as legitimate sites luring unsuspecting victims to provide personal and financial information. The IRS has recently warned consumers to watch for e-mails appearing to be from the Taxpayer Advocate Service (TAS) that include a bogus case number. The e-mail may include the following message: "Your reported 2013 income is flagged for review due to a document processing error. Your case has been forwarded to the Taxpayer Advocate Service for resolution assistance. To avoid delays processing your 2013 filing contact the Taxpayer Advocate Service for resolution assistance." The e-mail may contain links appearing to provide information about the "advocate" assigned to the recipient's case but actually lead to Web pages soliciting personal information.

If you receive an e-mail claiming to be from the IRS that contains a request for personal information, do not reply to the e-mail, open any attachments, or click on any links. Instead, forward the e-mail to the IRS at phishing@irs.gov. After forwarding the e-mail to the IRS, delete the original e-mail you received.

Remember, the IRS, including the TAS, does not initiate contact with taxpayers by e-mail, text, or any social media.



If you receive a phone call from an individual claiming to be from the IRS but you suspect they are not an IRS employee: (1) Ask for a call-back number and employee badge number, and (2) contact the IRS to determine if the caller is an IRS employee with a legitimate need to contact you. If you determine it is a legitimate call, then call the IRS employee back or call us to handle it for you. If you receive a notice or letter via paper mail, contact us to help you determine if it is a legitimate IRS letter. If it is a legitimate IRS letter, we can help you reply if needed. For information on how to contact the IRS, see <http://www.irs.gov/uac/How-to-Contact-the-IRS-1>. If either the caller or letter is not legitimate, report the incident to the Treasury Inspector General for Tax Administration at http://www.treasury.gov/tigta/contact_report.shtml.
