



From the Desk of Vic Hausmaninger

Isn't it Too Late for 2013 "Tax Planning"? **Answer: Yes and No**

First, on behalf of my partners and all of us at HBLA, let me take this opportunity to wish you a healthy and successful New Year!

In December you saw a lot of articles and communications about "year-end tax planning" and, hopefully you availed yourself of some of the tax strategies that needed to be completed before year end. While many "year-end" opportunities have now lapsed, there are additional, significant, "planning strategies" that can still be accomplished now, in 2014, that should be evaluated as to 2013 applicability and benefit. Some of these 2013 tax planning strategies, that can still be employed in 2014 are summarized briefly below:

FOR BUSINESS ENTITIES AND SELF-EMPLOYED

- C-corporations and personal holding companies can pay dividends by March 15, 2014 and can make an election to have those dividends attributed to 2013 to avoid the imposition of the "accumulated earnings tax penalty"
- Valuation of inventories at year end also should be considered. Businesses can claim "inventory devaluations" of regular for sale items if products are sold in 2014 at reduced prices to liquidate items. "Looking back" to what the inventory should be valued at as of 2013 based on 2014 developments can result in a deduction for 2013
- Inventory valuation methods, such as LIFO, can be considered for tax advantages all the way up to filing the 2013 tax returns
- Installment sales reporting should also be considered. A business can elect "out" of the installment treatment if it would be advantageous to report the income in 2013 rather than 2014
- A retroactive look at whether accounts receivable are collectible as of year-end should also be done. Any accounts deemed to be uncollectible could be written off and claimed as a deduction [accrual basis taxpayers]
- Similar to accounts receivable collection issues, consideration should be given to recording as a liability and deduction sales discounts, price concessions, or credit for returned items on sales recorded for 2013 [accrual basis taxpayers]

- And we always recommend an “extra look” at recording all possible liabilities at year end—even if some of them have to be prorated into 2013 from statements that end sometime in January [accrual basis taxpayers]
- Credit card charges incurred prior to December 31 can be deducted by both accrual and cash basis taxpayers as of year-end, even though paid in 2014. Again, you will want to carefully analyze credit card statements with closing dates in January to reflect as deductions all charges incurred prior to year end
- Contributions to Keogh, SIMPLE and 401k plans for 2013 can be deducted, if made all the way up to due date of the return, including extensions. BUT, these plans must have been formally adopted prior to year end
- SEP plans can be opened any time in 2014 until the due date of the tax returns, including extensions and contributions can be designated and deducted for 2013
- And do not forget that there are a variety of tax credits available for 2013 that can be identified and quantified in 2014 and still be claimed for 2013

FOR INDIVIDUALS

- If you fail to make the 4th quarter estimated tax payment due January 15, you could still avoid a penalty if you file your return and pay the full tax by January 31
- Remember that if you sold stock before December 31 at a loss and reacquire the shares within 30 days the 2013 loss will not be allowed as a deduction for 2013 and such loss would have to be added to the “basis” of the 2014 purchase
- For contributions made in 2013 to be deductible, you must obtain receipts by April 15, 2014. The receipts can be dated in 2014 as long as they evidence that they were for 2013
- For non-cash contributions exceeding certain thresholds, be sure to include with the tax returns any qualified appraisals. Such appraisals can be prepared in 2014 and will be accepted for the 2013 deduction.

Please consider whether or not one or more of the above items may be applicable and help you reduce your 2013 tax obligations. As always, please call us if we can answer any questions or you wish to discuss any of these items in more detail.

Again, we wish you all the best for 2014!!