Member: AICPA

Member: GSCPA

JWL

180 Allen Road NE Suite 207N
Sandy Springs, Georgia 30328
(404) 917-2700
Fax (404) 917-2701

J.W. Llop, C.P.A., P.C.
Certified Public Accountant

cpa@jwlatl.com

1975 Vineville Avenue, Suite D1
Macon, Georgia 31201
(478) 741-7858
Fax (478) 741-7860

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Happy Holidays!

Thank you, for allowing us to be your finance and tax advisors throughout the year. Your trust in us and all of your referrals are greatly appreciated. We are proud to have been preparing taxes, financial statements and consulting with you, for over 30 years. Also we are pleased to announce that Mike Rusenko, a CPA at our firm since 2008, is now a partner at our firm. In addition, we have added two staff accountants and an administrator to further realize our commitment to providing excellent customer service and value to our clients.

As you know, your tax return and tax liability are constantly changing based on existing provisions expiring and new provisions going into effect. Below you will find some of the more recent and pertinent changes to the tax code to assist you in preparing your 2013 tax return. You may contact us anytime to answer questions or clarify any of the enclosed information. Our office will be open through the holidays and we look forward to hearing from you. More in depth 2013 tax planning strategies for individuals and businesses can be found by visiting our website at www.jwlatl.com and clicking on the Tax Tips section.

See below for Year End Tax Planning Techniques for 2013

TAX CHANGES IN 2014

Affordable Care Act (Obamacare):
As you are aware, the Affordable Care Act is not a mandate to carry insurance, it is a tax. With this issue clarified by the US Supreme Court, the following are some rules, penalties and methods of which it will be funded:
Employers with 50 or more full time employees will be facing a tax penalty if they fail to provide affordable essential health coverage to their employees. On the flip side, employers with less than 50 full time employees and non profit organizations could be eligible for tax credits if you meet the minimum coverage requirements.
Individuals who fail to purchase coverage for at least 9 months of the year might also be subject to a penalty. Adults could be facing a fine of $95, while the penalty for uninsured children will be $47.50 or 1% of the total household income. This fine will increase annually and, by 2016, $695 per adult or 2.5% of the total household income, whichever is greater. As the implementation of the Affordable Care Act continues, there are some new taxes that will affect some of your returns this year.
These include medical expense deductions increased from 7.5% of Adjusted Gross Income (AGI) to 10% of AGI.

- Additional Medicare Tax of .9% on W-2 wages and Self Employment income exceeding $200,000 for individuals and $250,000 if married filing jointly.
- 3.8% Net Investment Income Tax on all "net investment income" that exceeds Modified Adjusted Gross Income of $200,000 for individuals and $250,000 if married filing jointly. For example, if you are single and have a salary of $200,000 a year and interest and dividend income of $25,000, you would pay an additional $950 in tax on the interest and dividend income.

Other Changes in 2014
1. 50% Bonus Depreciation expires at the end of 2013. This deduction is for the purchase of new vehicles / equipment only. This is a great way to get an additional deduction on an SUV that weighs over 6,000 pounds and costs more than $25,000.

2. Section 179 depreciation is reduced from $500,000 to $25,000 in 2014, so if you are planning to make substantial equipment purchases for your business, you'll have to complete those before December 31, 2013 in order to maximize your accelerated write off.
3. After 2013, mortgage insurance premiums paid on your primary residence will no longer be deductible.
4.Qualified Principal Residence Indebtedness income exclusion scheduled to expire for qualified discharges occurring after 2013. If you are short selling your primary residence or losing it to foreclosure and will have debt cancellation, make every effort to finalize the transaction before year end to avoid a tax liability from the cancelled debt.

THIS AND THAT FOR 2013

5. The top Federal income tax rate for 2013 increases from 35% to 39.6% for single taxpayers earning more than $400,000 and married filing jointly taxpayers earning more than $450,000.
6. The IRS will now recognize same-sex marriages for tax purposes. However, as of the date of this letter, Georgia will not. These taxpayers must still file their state tax returns as single.
7. Student loan payments do not have to exceed 10% of your income. Certain public employees can have their debt forgiven after 10 years of payments. The other 81% of the population can have their debt forgiven after 20 years of payments.

EDITORIALS FROM YOUR CPA:

Real estate markets have continued to improve in 2013. Median sales prices in the US have increased 12.5% in the last 12 months and the inventory of homes for sale has dropped substantially. Meanwhile, foreclosures are down 27% from a year ago. Those acquiring foreclosed properties during 2014 will continue to get values. If you are looking at purchasing real estate, you may find that quality properties are not staying on the market very long, sometimes going under contract in less than 24 hours.

While still at historic lows, mortgage interest rates have crept up in 2013. There is still some risk of a continued rise in rates in 2014, but in order for the economy to continue to revitalize, I expect interest rates to remain low. As real estate values continue to rise, be sure to check with your mortgage broker to see if you are now eligible to refinance and lock in a fixed mortgage at these historically low rates. Also consider consolidating higher interest rate debt into your refinance if possible; you should include consumer debt from credit cards, automobiles, etc. and roll this into a tax deductible mortgage. Also, if you have an Adjustable Rate Mortgage, you should lock in a rate.

Continue to fund your retirement accounts. If your employer has a company match, contributing enough to meet the match is a no-brainer. It is part of your compensation. The individual retirement account allows $5,500 per year, plus those over 50 are allowed to contribute an additional $1,000. If you are able, consider these amounts as minimum funding levels. We often have questions between traditional deductible contributions to a retirement accounts versus a ROTH contribution. As you are aware, the ROTH is non-deductible and is withdrawn tax free. My stance is to take the deduction while you can. When you contribute to a deductible plan, you receive an immediate return on the invested funds. A contribution to a deductible retirement plan in the amount of $1,000 is really $1,000. A ROTH contribution in the amount of $1,000, after taxes, assuming 25% Federal and 6% state actually costs you $1,449.

The best person to pick a stock is you, the consumer. You know what you buy. Interest rates are low, yet there is substantial risk in equity markets. I would not suggest placing any funds into the stock market that you will need to access within the next ten years. For any funds not needed within that time frame, I would suggest investing the same dollar amount in consistent intervals (weekly, monthly, quarterly) in order to "dollar-cost average" your investments.

For 2013, my stock picks averaged a 31.5% return. This was above the S&P 500 which had an overall 1 year gain of 24%. Generally, between my gut instincts and discussions with my broker, I have been able to have a fairly decent return. Brokers monitor the markets every day and having a financial advisor that you trust is an important piece of effective financial planning. If you insist on trading on your own, utilize automatic selling features (stops) with your broker to limit any losses and lock in gains on your stocks and mutual funds. Below are some stocks to watch in the coming year, take them with a grain of salt.

Technology: Twitter (TWTR); Apple (AAPL)
Energy: Marathon Oil (MRO); Phillips 66 (PSX)
Medical: Meridian Bioscience, Inc. (VIVO)
Consumer Goods: Altria (MO)
Financial: American Express (AXP); Bank of America (BOA)
Transportation: Baltic Trading Limited (BALT)

Seasons Greetings! See y'all soon.

The Quick Ten: Please attach (enclose) the following if applicable

1) *Form(s)* - W2
2) *Form(s)* - 1099 & 1098 - Self-Employed; Dividends; Interest & Mortgage Interest. Debt forgiveness may be a taxable event. Please make sure you provide us with all of the details.
3) *Stock Trades*: The brokerage statements for the active trader for December 2012 through January 2014. For sales on accounts that were purchased outside the window above, we will need the purchase date and price. Stock trades default to first in first out unless you specifically designate the stocks. You may want to include your broker's name and telephone number for better clarification if needed.
4) *Interest Income*: For seller-financed mortgages, please supply the name, address, and Social Security number.
5) *Estimated Tax Payments* (Please include):
   Date — To Whom Paid — Tax Year — Amount
   Please remember that state tax payments remitted in 2013 are federally tax-deductible in 2013.
6) *Retirement Contributions*: SEP's/IRA's/ROTH IRA's/401K's/403b's/etc. We would like to assist you and your broker (if applicable) in calculating the above contributions for you. In certain instances, your contributions may be limited. Please call for clarification.
7) *Dependents*: Name; Date of Birth; Social Security Number; and months lived with you during 2013.
8) *Childcare Credit*: We are required to report the Name; Address; and I.D. number of the provider, as well as the amount paid.
9) *Principle Residence*: In addition to the mortgage interest received by the lender, please supply the closing statements of the purchase, sale and refinancing statement if these transactions occurred during 2013.
10) *Flow-Throughs*: K-1's from corporations, partnerships, trusts and LLC's.

Year End Tax Planning Techniques for 2013

Year End Tax Planning for Individuals:

Deductions and credits often overlooked:

- **Job** search expenses: Includes costs of resume preparation, outplacement agencies and travel to job interviews.
- **Medical insurance.** Self-employed taxpayers can finally deduct 100% of medical insurance premiums.
- **Treatment** for alcoholism, smoking and drug abuse.
- **Investment** advisors fees.
- **Safe deposit box fees,** if the box is used to hold savings bonds, stock certificates or other investments.
- **Labor union dues.**
- **Subscriptions to trade** publications related to your job.
- **Penalties on early withdrawal** of certificate of deposits.
- **Your state's personal property taxes** on cars and boats.
- **Medical and Moving mileage** is deductible at **24 cents** per mile in 2013 and **24.5 cents** per mile in 2014.
- **Student Loan interest.**
- **College tuition** tax credits.
- **Non-reimbursed** employee business expenses.

You can charge deductible expenses on your credit card. For example, charge medical bills and charitable donations on your credit card before 12/31/13. Although paid in 2014, they are deductible for tax year 2013.

Prepay state estimated taxes on or before December 31, 2013 year-end. This is your state est. tax payment due 01/15/14 for 2013.

Prepay your January mortgage payment in December 2013. The interest is deductible when paid. If you choose to prepay the January mortgage payment, please keep a copy of the check as it should have been received by the mortgage company in 2013, otherwise send the payment return receipt requested on or before December 31, 2013.

Sell stock losses before year-end. You can offset capital gains by the amount of capital loss incurred during the tax year; if your capital losses exceed your capital gains, the amount of the excess loss you can claim in 2013 is $3,000 ($1,500 if you are married filing separately). Please avoid the "wash-sale rule". If you sold a stock at a loss and bought it back within 31 days, the loss is disallowed.

Please review your 1099's issued by investment firms. If you have stock losses in prior years and you are not sure of the carry forward amount, please call the office. Please do not overlook Capital Gains from mutual funds when calculating your gains for the year.

The AMT exemption; refers to the income threshold to be excluded from alternative minimum tax. The limits are $80,800 if filing a joint return, $51,900 if filing individually, $40,400 if married filing separately.

Social Security Taxable Cap and Rates: Social security tax rates increased in 2013. The individual social security tax rate for is now 6.2%, or 12.4% if self-employed. In 2013 the social security wage cap is $113,700; this means that individuals will not incur social security tax on wages exceeding this amount. The wage cap will increase to $117,00 in 2014.

Retirement Planning:

	401k Deferral Cap:	**Simple IRA's (for Businesses):**	**IRA's (Individuals)**
Year	Amount	Amount	Amount
2013	17,500	12,000	5,500 (6,500 age 50 or older)
2014	17,500	12,000	5,500 (6,500 age 50 or older)

(The chart above shows the annual contribution limits for popular retirement plans)

If permitted by your 401(k) plan, participants who are age 50 or over at the end of the calendar year can also make catch-up contributions. The additional elective deferrals you may contribute are:

- $5,500 to traditional and safe harbor **401(k)** plans (in 2013 and 2014)
- $2,500 **to Simple IRA** plans (in 2013 and 2014)
- $1,000 to **traditional IRA** plans (in 2013 and 2014)

The maximum contributions for a **SEP** plan are$51,000 for 2013 and $52,000 for 2013. The maximum 401k contribution are $51,000 ($56,500 including catch-up contributions) for 2013 and ($52,000, or $57,500 including catch-up contributions for 2014).

For other closely held companies, generally the one owner/one employee company, defined benefit plans are available. For example: the **412i** plan which allows taxpayers to fund a retirement plan for up to the actuarial limits per annum. The contribution can be as much as $300k-$400k per year. These retirement options can be made up of annuities and/or life insurance.

Non-Cash Contributions: are donations of personal items (clothing, appliances ect.) and long-term investments(marketable securities) instead of cash. You can deduct the fair market value of investments that you have donated, including all associated capital gains. Donated personal items such as clothing and appliances are generally deductible up to 35% of the original cost, often referred to as the "thrift- value" method. The internal revenue service has added the term "good used condition" for items donated, also please be prepared to prove that the items meet these conditions.

Please enclose your log of donated items with the fair market values for non-cash donations when you send in your information. When deducting cash or appreciated securities with a value of greater than $250, you will need to get an acknowledgement from the charity. If you donate a vehicle and the charity or agent sells it, the value of the donation for tax purposes is limited to the sales proceeds. Charities must report to you and the Internal Revenue Service the amount of sales proceeds. To maximize your deduction, contribute your car to an organization that intends to use it in its charitable activities.

Exhaust flexible spending accounts (FSAs): If you have a medical or dependent-care FSA at work, spend all of your contributions to it by year-end. **You can no longer use your FSAs for purchasing over-the-counter medications.** However, if you obtain a prescription from your doctor for the over-the-counter medications you can then use your FSA account. You may be able to use expenses through March 15, 2014 to absorb your 2013 balance. Check with your employer in that it is at their discretion. Otherwise, if not spent by December 31, 2013, the remaining funds are forfeited.

Health Savings Accounts (HSAs): For those who are covered by a high deductible health plan: $1,250 single persons and $2,500 for families, you and/or your employer, on your behalf, can make tax-deductible contributions to an HSA. Funds accrued are tax deferred. Withdrawals for medical expenses not covered by insurance are tax-free. After age 65, contributed funds can be withdrawn and used for non-medical purposes, but are subject to income tax. The maximum contributions to the accounts for 2013 are $3,250 for single persons and $6,450 for families. These limits are projected to increase to $3,300 for single persons and $6,550 for families for 2014. People who are least 55 years old can contribute an extra $1,000. **As with the FSA, you can no longer use your HSAs for purchasing over-the-counter medications.** However, if you obtain a prescription from your doctor for the over-the-counter medications you can then use your HSA account.

The Kiddies: There are no tax or filing requirements for children under 18 years of age if their income is less than or equal to $900. The most effective way to ensure that your child's income does not exceed this limit is to place a certificate of deposit in the child's name using the child's social security number. There is a lower rate for income between $900 and $1,900; thereafter, the rate charged for the dependent child will be at the "allocable parental tax" rate.

Seniors: if you are between 62.5 and 66 and collect Social Security benefits while you continue to work, you can earn up to $15,120 in 2013 without any loss of benefit (for every $2 over the limit, $1 is withheld from benefits). For individuals continuing to work, after having reached full retirement age (66, until year 2020 when it becomes 67), there is not an earned income limit.

An annual **Social Security benefit statement** is available to you. You should be receiving this information annually. You can get this information by calling 800-772-1213 or visiting their web site at www.ssa.gov. It is called a Personal Earning Statement.

Big Changes in the Estate Tax Calculations In 2013, the estate tax exclusion is set at $5.25 million (the maximum non-taxable estate allowable upon death). This exclusion amount is projected to increase to $5.4 million in 2014. In 2013 estates in excess of the exclusion will be taxed at rates between 15% and 39.6%, rates will not increase in 2014.

State of Georgia – Tax Planning:

529 plans: are education funds for your dependents, you can deduct up to $2,000 in contributions from your 2013 Georgia income tax return. This is a government-monitored program, and in the past, I have not been a fan of using this as an investment tool. The funds available for investment are generally highly restrictive. When a child's custodial account is greater than $60,000, a 529 plan can be a more viable option. Earnings in excess of $1,900 per annum is taxed at the parental rate.

There are credits available in the state, which consist of the Disabled Person Home or Retrofit Credit ($500), Georgia National Guard/Air National Guard Credit (the amount expended), Qualified Care giving Expense Credit ($150), Driver Education Credits ($150), Rural Physicians Credit and Disaster Assistance Credit ($5,000), Child and Dependent Care expense credits (up to $630), conservation credit for qualified donations of real property ($250,000). Please call our office or include the expended amounts with your information. Certain limitations may apply.

As an individual you can donate up to $2,500 and pass through entities up to $10,000 to various Georgia Scholarship Programs. You can designate the private school to which you want your donation to go. The donation is deductible on your tax return and is a dollar for dollar tax credit for the State of Georgia. Other States also have similar programs.

YEAR END TAX PLANNING FOR BUSINESSES:

- If you **pay an individual** for services rendered, this is inclusive of household workers, make sure you either prepare a 1099 for non-employee compensation or a W-2 for an employee's wages. As of 2012, businesses must report payments to their vendors if in the course of your trade or business on a 1099. If you own a rental property this requirement also applies to you. If you would like us to prepare these forms for you, please contact our office for the preparation and remittance of the form in **January of 2014**.
- Set up a **retirement plan** before year-end. We should have already discussed this option. Please call me if you think we need to chat further.
- For **cash basis taxpayers**, pay all outstanding bills before December 31, 2013 year-end.
- **Write off obsolete inventory as of year end** so your business can take a write down this year.
- For **accrual basis taxpayers**, write off non-collectible account receivables.
- **Change your tax status from a C-Corporation** to an **S-Corporation**, or vice-versa. We should have already discussed this option. You have 75 days from year-end to make this change to be effective in the coming tax year.
- Employers can **reimburse employee business expenses** before year-end when the employer has an "accountable plan". This can reduce salaries and create savings on payroll taxes, while also reducing the employee's taxable income.
- **S-Corporation** owners who need additional capital (loans) should borrow the funds individually and then lend them directly to the corporation. Since most small companies' debt requires a personal guarantee, this process will add to the tax basis of the company for wherein certain losses can be recognized.
- **New per diem rates.** The US General Services Administration has announced per diem travel rates for the continental US effective October 1, 2013 – September 30, 2014. The standard rates through September 30, 2013 ($77 for hotel and $46 for meals and incidental expenses per day) have changed this year with an effective date of October 1, 2013 ($83 for hotel and $46 for meals and incidental expenses per day); also, there are about 400 locations with new higher per diem rates. To view the new per diem rates, go to www.gsa.gov and click on "per diem rates" under "Most Requested links".
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- The IRS does not require receipts for cash expenses of less than $75 if you record them in your business diary at the time they were incurred.
- **Deposits in bank for cash basis taxpayers** are taxable when deposited and recorded in your register.

- **Bonus depreciation and Sec. 179 expensing-** Capital acquisitions up to $500,000 can be fully deducted in 2013 if purchased and placed in service before year end. This deduction is scheduled to be limited to $25,000 in 2014. In addition, bonus depreciation of up to 50% of qualified new equipment purchases can be deducted for 2013. This bonus depreciation is scheduled to expire this year end.
- **For business travel,** meals and entertainment expenses, please document **who, what, where, and when.**
- **Auto mileage** for business use of a car and truck expenses in 2013 is deductible at 56.5 cents per mile. The business portion of parking fees and tolls may be deducted in addition to the standard mileage rate. For 2014, the rate will decrease to 56 cents per mile.
    - **Generally,** if you drive 20,000 business miles, the standard mileage deduction may be greater than actual expenses incurred. In 2013, the standard mileage deduction would be $11,300 versus actual expenses of maybe $8,270. If you drive 10,000 business miles, the standard deduction would be $5,650 versus actual expenses of $8,270. These are averages, and different vehicles would generate different deduction amounts.

- **For your year-end board meeting,** which may be in Timbuctu, please discuss and reference in your memorandum the following items:
  -Charitable Contributions
  -Year-end bonuses, retirement plans and or profit sharing arrangements
  -Reasons why earnings are being retained
  -Any changes to the business organizational structure
  -Set salaries for the upcoming year
  -Insurance changes such as- disability, life, health, etc.