

Estate Portability 2.0

What is Estate Portability?

The estate of a decedent who dies during 2014 has a basic estate tax exclusion amount of \$5,340,000, up from a total of \$5,250,000 for estates of decedents who died in 2013.

If the decedent was married and didn't use the entire exclusion the estate could elect in 2011, 2012 or 2013 to add their unused amount to the surviving spouse's exclusion. It could only be done by filing a complete Form 706 US Estate Tax Return requesting it in a timely manner.

Meet Estate Portability 2.0

The new Revenue Procedure 2014-18 now allows estates that did not file Form 706 an automatic extension to file it late if they meet the following requirements.

1. You are the executor of the estate of a decedent who:
 - a. Has a surviving spouse
 - b. Died after December 31, 2010, and on or before December 31, 2013; and
 - c. Was a citizen or resident of the United States on the date of death

2. The combined value of the gross estate and adjusted taxable gifts was below the filing requirements.

3. No estate tax return was filed in time to elect portability.

Form 706 must be filed by December 31, 2014. This gives an estate from 2011 forward the opportunity to now go back and elect the portability if they didn't. **Please let us know if you need assistance with this form.**

CLIENT PROFILES

JUSTINE CARLISLE

Namaste Ventures, LLC



Photo credit: Courtney Elizabeth Photography

Justine Carlisle had been enjoying her 15-year marketing communications career when she was suddenly injured and turned to yoga for healing. Though it was a physical ailment that brought her to the studio, she couldn't deny the impact her practice had on her spiritually and mentally. She enrolled in a 200-hour teacher training program with Jacqui Bonwell of the Sacred Seeds Yoga School in 2012... and now, as a Registered Yoga Alliance Vinyasa instructor, she teaches yoga at four different Southern Maine locations.

She started Namaste Ventures, LLC, with the vision of producing local wellness events. She launched the first Maine YogaFest with two friends in July 2013, bringing the Maine community together to celebrate the healing powers of yoga and encourage a healthy, peaceful and compassionate way of living. Justine said, "Yoga festivals have been growing in popularity across the country. The closest one to Maine was over in Vermont, so we decided to host an event here. Last summer, close to 500 people came to practice yoga all weekend and more than half completed our post-event survey, giving us very positive feedback."

Registration for Maine YogaFest 2014 (July 12-13) opens in March, online. Justine told us how it works: "You can purchase a pass for 3 or 5 classes, choosing from different classes, instructors and time slots. Between classes, you can visit our vendor village to enjoy complementary massages and healthy foods, plus local musicians will perform live music." For details, visit www.maine-yoga-fest.com.

Call for Assistance Anytime!
 We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money. During tax season, we're incredibly busy, so it may take a little longer for us to get back to you. **We appreciate your patience! Thank you.**



Email: info@honeckotoole.com
 Phone: 207-774-0882
 Fax: 207-773-2047
 Mail: PO Box 7980 DS,
 Portland, ME 04112

511 Congress Street
 Suite 900
 Portland, Maine 04101
www.honeckotoole.com



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1st Quarter 2014

THE NET INVESTMENT INCOME TAX (NIIT):

How It May Affect You This Year

On January 1, 2013, the new Net Investment Income Tax (NIIT) — imposed in section 1411 of the Internal Revenue Code — came into effect. It "applies at a rate of 3.8% to certain net investment income of individuals, estates and trusts that have income above the statutory threshold amounts," according to the IRS website.

In plain terms, this 3.8% NIIT affects tax returns being filed for 2013 with certain categories of investment income being reported — including interest, dividends, capital gains, rent and royalty income, and income from trusts and estates. So many individuals will be subject to this new tax. Please know that we may need more time to prepare your return and correspondingly our fee may be a little higher than in the past. We'll work as efficiently as possible (as always), but it's important to let you know that the NIIT is a complex new tax law and we want to be sure we calculate it correctly for you.

Rental Income

Since the State of Maine has a robust rate of rental income activity due to tourism (seasonal/vacation properties) and other rental properties (apartment buildings, etc.) you may enjoy a nice rental income as a result. However, that rental income may be subject to the new 3.8% NIIT depending on what "type" of rental income it is.

We've discovered that the type of rental income business owners receive will have a big effect on how the income is taxed. This is especially true if they are paying themselves rent for the use of a property. To determine exactly the type of rental income being received and what rental income is subject to the NIIT we've had to spend more time on some tax returns.



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revenue

Ideas to help small businesses and individuals maximize income while minimizing taxes.

Tax Season Due Dates

Individual Returns: Federal and State returns must be filed by April 15, 2014

- Please send your information ASAP so we can get started.
- There are no extra days this year extending the due date, such as Patriot's Day or Emancipation Day... **so we need ALL your information by March 18, 2014** to file your return by April 15, 2014.
- If you're unable to meet that deadline, you can file an extension through us. Remember though — you can have more time to file, but the IRS and Maine don't allow more time to pay your taxes due.

Business Returns:

- We need your corporate information by February 15 to file by March 15, 2014.
- Or, we can extend until September. **Sooner is always better!**

FYI: We're filing all returns electronically this year. When we send your return to you, **please sign and return the included authorization form immediately so we can eFile your return on your behalf.**

Got Your 2013 Tax Year Organizer?

By now, you should have received your annual Tax Organizer in the mail — that handy questionnaire for gathering all the items we need to properly prepare your income tax returns. As always, you don't have to fully complete the Organizer, but clients tell us every year they're thankful to have this tool.

Most clients received the short version at their request, but if you'd like the longer version or you didn't receive your Organizer yet, please call or email us right away: **207-774-0882** or info@honeckotoole.com.

Already this year, some of our rental LLC tax returns have taken longer than usual to prepare to make sure the rental income is reported properly to the owners for the NIIT. Some rental income is not subject to NIIT and we want to be sure everything is properly reported to our clients.

Trust/Estate Income

If you received income from a trust or estate type of entity in 2013, you'll want to talk with your trustee because income from the entity may be subject to the new 3.8% NIIT. In addition, income you

may have received from the entity at the beginning of 2014 may be reported to you as income in 2013.

Depending on the date you received the income, this new surtax can possibly be alleviated under the "65-Day Rule" under Internal Revenue Code Section 663-B.

Here's what the 65-Day Rule means. If the entity qualifies, a trustee may treat distributions made within 65 days after year-end as if they were made on December 31st of the prior year. (I.e. if you received

the income on/before March 5, 2014, it may be treated as if it was distributed by the entity on December 31, 2013.) This may allow the entity to avoid the NIIT since income was distributed to you rather than kept by the entity. The savings can be substantial depending on the situation as an entity incurs the tax when income exceeds \$11,950, significantly less than the individual threshold.

Trustees and executors,

please note this election must be made by the due date of the trust tax return (April 15, 2014). We're more than happy to review this as part of your trust tax return preparation.

If you have questions about the NIIT or any other taxes affecting your return, please call or email us right away:

207-774-0882 or info@honeckotoole.com.



SEASONAL TEAM

Meet Our Seasonal Team!

We're very pleased to introduce you to our seasonal tax professional team. We rely on these talented individuals to help us to prepare, complete, process and ultimately file more than 2,500 individual, business tax and trust tax returns for our clients within a very short timeframe — basically a 10 week window.

This year, we welcome back Julie Sengelman, Julie Bennett, Jessica Hymoff and Jerry Yurko. We're delighted that they still return after many years of assisting us!

In addition, we're happy to introduce you to two new members of our seasonal team.



Elliot Vrana

Elliot Vrana, Tax Return Professional

Elliot joins Honeck O'Toole to assist with the tax preparation of business returns. He holds a BA in Economics from Bucknell University and a BS in Accounting from the University of Southern Maine. Elliot has worked several tax seasons within the public accounting environment and currently operates his own small-business bookkeeping firm. He has successfully completed the three parts of the Special Enrollment Examination and is currently enrolled to practice before the Internal Revenue Service.

Jennifer Dealaman, Administrative Associate

Jennifer has been in administrative assistant positions for the last 15 years, varying from corporate offices and retail sporting goods to universities. She has also worked as an administrative secretary at different schools in the Greater Freeport area. Most recently, she was with a church in South Portland. Her role is to support our staff, clients and the existing Honeck O'Toole administrative support team (Kelly and John), to help with the paper flow, steps and systems we use to prepare our many returns!

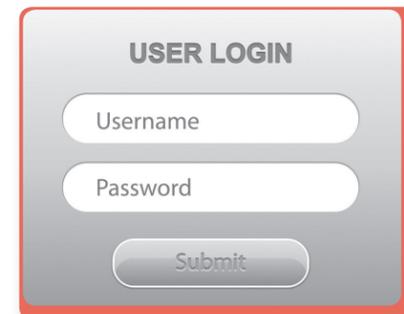


Jennifer Dealaman

PASSWORD AND LOGIN BACKUP

Honeck O'Toole's Password/Login Backup

Today's websites make it easy and convenient to do just about everything online, from banking and shopping to reviewing your medical bills and changing your mailing address. However, for security reasons (which is very important!), all those websites require different user names, passwords and security questions to protect your information and identity.



How do you keep track of all your passwords in a safe place without jeopardizing your private information? It's not easy.

Perhaps we can help. Honeck O'Toole is pleased to offer clients to store a list of their Passwords and Login info with us for peace of mind. We encourage you to make a list of all your passwords and give us a copy as your backup.

Here's how it works.

- **Create a document that contains all of your account names and passwords.** Place the document in your home safe. (We encourage having a small fireproof/waterproof safe in your home for important papers.) This way, you always have a full list of all of your account passwords. **This list should never be left outside of the safe.**
- **Send us the list as well, as a safe and secure backup.** Then, if you're away from home and need the passwords... or if something should ever happen to your home, we'll have the passwords for you. Please contact us so we can arrange to securely get the information from you.
- **Update your list as often as possible to make sure it's up to date.** Send us the update every time. When discarding the outdated document, be sure to cover all the information with a correction fluid such as "Wite-Out®" and then shred the document.

TAX ODDS AND ENDS

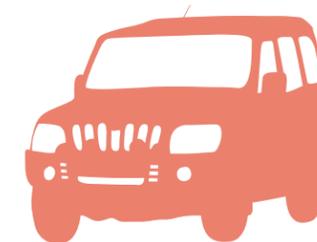
Tax Odds and Ends

- **The Maine Educational Opportunity Credit is Available**

Passed in 2010, the Educational Opportunity Tax Credit (EOTC) "reimburses Maine workers for student loan payments for those who earn an associate or bachelor's degree at a Maine school and continue to live and work here after graduation," according to the Opportunity Maine website. It also states that, "Alternatively, businesses that pay employees' student loans as an employee benefit will be able to claim the tax credit, providing a strong incentive to expand or locate businesses here in Maine." For details on qualifying for the EOTC and how to claim it, visit this website: www.opportunitymaine.org/opportunity-maine-program/.

- **Past Tax Returns Can Be Downloaded from the IRS**

Recently the IRS announced that individuals can now view, print and download past tax transcripts over the Internet. The transcripts are not the same as the tax return filed but does show most line items. This makes it easier to access tax records when applying for loans or grants. For instance, this is much more helpful to students applying for a student loan, because before, they had to request copies of their past tax returns and wait 5-10 business days for a printed copy. Visit www.irs.gov/Individuals/Get-Transcript for details.



New Mileage Rates

New standard mileage rates have been established for 2014, and they're lower than last year's rates:

- \$0.56 for business mileage
- \$0.235 for medical and moving mileage
- \$0.14 for charitable mileage

IRS CIRCULAR 230 DISCLOSURE

Pursuant to requirements imposed by the Internal Revenue Service, any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for purposes of avoiding penalties imposed under the United States Internal Revenue Code or promoting, marketing or recommending to another person any tax-related matter. Please contact us if you wish to have formal written advice on this matter.