

CLIENTS IN THE NEWS...

Dr. Peter Sedgwick Receives "Maine Top Doc" Award

We're always humbled by the achievements of our clients, and this is no exception. Honeck O'Toole client Peter E. Sedgwick, M.D., of Central Maine Sports Medicine, was recognized as one of the 'Maine Top Docs' honored in 2014, selected in a Down East magazine survey of fellow physicians.



The Down East website explained how the winners were selected, "We asked Maine physicians this question: If you or a family member had a problem in the following areas, who would you select as the best specialist in Maine?" They offered just over 50 categories (medical specialties) ranging from pediatrics and psychiatry to neurology and surgery. You'll find the complete listing at www.downeast.com/top-doctors-2014/

Dr. Sedgwick told us, "The acknowledgement of one's peers — expressing that they'd refer their family members to me — is the biggest compliment a physician can get. I'm delighted."

Dr. Sedgwick's professional online biography states, "Dr. Peter Sedgwick is a board-certified family practitioner who is fellowship-trained in sports medicine. He is a physician with Central Maine Sports Medicine, a clinical department of Central Maine Medical Center, and has been affiliated with Central Maine Orthopaedics (CMO) since 2008."

Congratulations to Peter! Well done.

CLIENT PROFILES

SUE INCHES, History IT

A small startup company on Commercial Street in Portland is working to save history. History IT makes hidden historical documents — papers, photographs, drawings and videos — accessible in digitized formats, so people can see collections that may otherwise have been lost.



Sue Inches is History IT's new Northeast Vice President, and she described the company this way. "We work with historical societies, museums, political papers and foundations to create digital libraries. For instance, we're working with a group on Mount Desert Island called The Friends of Island History; a collaborative of 17 local organizations that includes College of the Atlantic and Acadia National Park. We're digitizing and tagging individual items to live in a single web portal with searchable access. So when you type in "shipbuilding," you'll find everything about the shipbuilding history on the island. It's fascinating that many Maine and New England collections are not accessible. We're working to bring these collections to wider audiences." Visit HistoryIT.com to learn more.

Sue calls on her marketing and public policy background to develop business. Prior to History IT, she served as Deputy Director of the Maine State Planning Office, Director of Seafood Marketing and Industry Development for the State of Maine, and worked in Marketing and Promotions at Hannaford Bros. Co.

Sue has been a Honeck O'Toole client for about 10 years, and stated, "They're great at staying on top of all the intricacies of tax accounting. They look out for us in that way."

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.



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



...where people count

2nd Quarter 2014

"THIS IS THE YEAR I SAVE MORE MONEY!"

If you had an "interesting" 2013 regarding your money and taxes, you're not alone. The year's many tax changes, health insurance changes, expiring tax breaks and other financial shifts altered many of our clients' tax returns. One individual said, "Gosh I was surprised that I owed more than \$2,000 in taxes this year. I've never had to pay that much before."

Another individual was puzzled by the IRS rule requiring business credit card payments to be matched up on the 1099-K form. The IRS introduced stiffer penalties starting in tax year 2013. (See our page 3 article on this topic.)

To avoid unpleasant surprises or confusion in the next tax season, **you may want to make 2014 the year you commit to saving on taxes and keeping more of your money.**

We encourage you to take a closer look at your entire personal financial picture (and your business picture if it applies). This could help you save money on taxes, insurance, fees and other costs in your life while keeping more of your money for savings and retirement.

It ain't over when you file your tax return

Sometimes it's nice to think, "There. April 15 has come and gone. I filed my return and I'm done until next year." But really, the best place to start saving money is to look at the return you just filed — especially if there was a balance due.

- **Was your withholding adequate?** If you have a full-time job, take a look at your current withholding. Is it covering your taxes all year long, so you don't owe anything at year-end? If not, keep this in mind. There's a fine balance between paying too much to the IRS and state during the year (giving them your hard-earned money and waiting for a refund next April) and paying too little and having to write checks in April. We can help you assess your withholding to make sure you're in balance.

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revenue news

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



Spring At Last In Maine!

The 2013-2014 Maine winter is on record as one of the coldest and snowiest winters ever... and most of us feel it was the longest too.

We wish you a VERY HAPPY spring.
Thank you for being a client of Honeck O'Toole!
Your Honeck O'Toole Team

Another One For The Tax Books

Tax season 2014 — what a doozy! With all the new IRS and state reporting requirements and forms, it was a very challenging tax season. Our team dove in and managed it all, tackling more than 1,500 individual tax returns, 300 business tax returns and nearly 200 trust tax returns for our clients.

It took almost 8,000 staff hours in 10 short weeks to get it all done but we did it! We can't imagine how anyone with complex finances could follow all the changes and prepare their own returns accurately.

THANK YOU for helping us complete returns on time!

NEW: FinCEN Form 114

If you have foreign accounts, file reports by June 30 to avoid stiff penalties.

NEW: Same Sex Spouse

Be sure to title your partner as a SPOUSE beneficiary on retirement accounts.



Did you have a transaction you hadn't planned for?

Every year, we have clients with tax balances due from transactions they knew happened but they didn't do tax planning for. This may include a stock sale, 401(k) early withdrawal, or other financial transaction. Why not find out what to expect next April?

Did you earn more than expected in 2013?

If you're a freelancer or other type of sole-proprietor/micro business owner... it's great to earn more income, but the extra taxes can be a very unpleasant surprise if you don't plan for them. Be sure to monitor your earnings very carefully all year and make estimated payment adjustments to cover your required taxes. Not sure how much you should be putting away for estimated taxes or an April balance due? Give us a call and we can help you calculate an estimate.

the end of the line for some popular tax credits and deductions. For instance, as of this writing, the following deductions expired at the end of 2013.

- Exclusion for discharge of qualified principal residence indebtedness (Mortgage Debt Relief Act of 2007)
- Treating mortgage insurance premiums as qualified residence interest
- Deduction for qualified tuition and related expenses. The Education Credit is still available.
- \$250 deduction for teachers paying out of pocket for classroom supplies
- 50% first-year depreciation for business equipment expenses
- Section 179 business expensing limit of \$500,000. (It tumbles to \$25,000 this year.)
- Option to deduct State and local general sales taxes rather than state income taxes

This is what we know now. The 2014 mid-term elections in November could bring on more changes or even bring

back some of the expiring deductions. But until then, it's best to plan for the changes we do know about.

Plan for changes in your life

Is anything changing for you in 2014? Some of the events that could affect your taxes and finances include:

- Buying a home
- Having a baby
- Marriage or divorce
- Starting a business or changing its legal structure to an LLC, etc.
- Moving to another state
- Changing jobs
- Changing health insurance and other insurance
- Turning 59-1/2
- Retiring

Anything in your financial life could possibly be improved by revisiting your investments, current debt, business record-keeping and other money matters.

The bottom line is, the mid-year point is an excellent time to review your entire financial

picture and identify areas you can adjust for better results.

Consider the value of professional guidance

Our team here at Honeck O'Toole offers much more than tax-return preparation!

When it comes to personal and business finances, our Certified Public Accountants and financial planners can help you with estate planning, retirement planning, investment guidance and insurance decisions.

In addition, we support many aspects of business planning, including an assessment of your accounting system, analyzing business acquisitions, preparing financial statements, partner/shareholder planning and complete QuickBooks guidance.

There's a good chance we can help you reduce your tax burden and financial planning worries, no matter what stage of life or business you're in.

Contact us to find out how we can help you:
207-774-0882
info@honeckotoole.com

Plan now for 2014 tax law changes and expired deductions

Better to know this now: it's

TWO ALERTS TO KEEP YOU SAFE

Here are two reminders to protect yourself against IRS phone scams and potential identity theft.

IRS: Scammers posing as the IRS have been calling people and asking for personal financial information. This is particularly true with elderly people. Please pass along this warning to everyone you know.

The IRS will not call you and ask for information such as your Social Security Number or Bank Information over the phone. EVER!

If you receive a call of this nature, hang up and contact us before giving anyone your information. If it's a legitimate call, we can talk to the IRS on your behalf.

Identify Theft: We like these simple yet extremely important tips from the AARP:

- "Do not give out personal information to anyone you don't know or who isn't from a confirmed, reputable source." (Keep in mind that banks and other reputable institutions will NOT call you for this information)
- "If you're unsure about a person's claimed identity, do not give them any information." (Via phone, email or anywhere!)
- "Do not leave home with your Social Security card." Unless you need it for a specific transaction such as getting a driver's license, filling out forms for a new job, etc.
- "Keep a close watch on bank statements and credit card bills." (We recommend weekly or even daily to quickly catch a problem.) "Call the institution if you notice anything suspicious."
- "Clear your login information if you make online purchases." Try not to make them on public computers – ever!

Credit Card Reporting On IRS Form 1099-K

Over the past few months, we've been fielding questions from small business owners who don't understand how credit card payments must be matched on IRS Form 1099-K. Here's the scoop.

The IRS requires third party payment settlement entities or electronic payment facilitators, including credit card companies, to report payments made to your business on Form 1099-K. The IRS then matches the amount reported with your tax forms, flagging any discrepancies.

Any business accepting credit cards should reconcile total monthly receipts with what is reported by the third party providing credit card or electronic payments — so they can compare what is reported to the IRS to what they actually received in cash and credit card payments. This is very important for restaurants, hair salons and other businesses that accept tips via credit cards.

If you still have questions, we urge you to call us. Also if you find that any of your colleagues or friends receive IRS notices about this (called "Notification of Possible Income Underreporting"), call us to double-check your compliance.

A RARE STAFF OPENING AT HONECK O'TOOLE

We're looking for a professional accountant to join our team!

We take pride in our Portland, Maine-based team being unique in that we work hard to bond with clients and become trusted lifelong financial advisors, counted on for reliable guidance. Now, we're looking for an exceptional accountant to join our team by September 2014.

The ideal candidate is a CPA or close to it, with 3 to 5 years of experience in public accounting and an interest in tax and financial planning. If you're curious, committed and creative — and you'd enjoy solving problems for our clients — we hope you'll consider applying for this position.

Contact us to learn more:
207-774-0882
info@honeckotoole.com

P.S. Please share this with anyone you know who's a possible candidate for this description. Thank you!

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.

Mobile Apps for Money Management

To keep others from using your apps, be sure to log out after every use!



Did you know that the IRS has a mobile app? On **IRS2Go**, you can check your refund status, request tax records, and stay connected on social media to see helpful tax-tip videos and more.

These other mobile apps make it easier to manage your money at your fingertips, anywhere and anytime.

In addition, some of our clients swear by their bank mobile apps for depositing checks, transferring money and monitoring accounts in the most convenient ways possible.

Are they secure? We think so. Large banks are known to use the most advanced security technology available to ensure your safety, and many offer identity theft protection guarantees.

GIFTS...

Financial Gifts What are the rules now?

For 2013 and 2014, the IRS allows you to give up to \$14,000 per person before you are required to file a gift tax return. The gift is the value of the item you give to someone. It may include cash, real property, stocks, mutual funds, collectibles or anything of value.

The question we often get is — but what is the "carryover basis" for financial gifts?

Carryover basis broken down to its simplest means that the person receiving the gift takes the place of the person giving the gift in regards to acquisition date and acquisition value.

Let's say that a father gives a gift of stocks, valued at \$12,000 on the day he gives it to his daughter. He isn't required to file a gift tax return because it's below the \$14,000 limit. He bought the stock for \$6,000 ten years ago. This original \$6,000 purchase cost becomes her basis in the stock. She also gets his purchase date of ten years ago as her holding period. Down the road, she may pay a capital gains tax when she sells the stocks if its value is greater than \$6,000.

If she sells her gift stocks at \$15,000 the day after her father gives them to her and the carryover basis was \$6,000 (the original purchase amount) — she will have a long term (ten year) capital gain of \$9,000. Her tax rate is then calculated based on her financial situation at the time of the sale.

Contact us for help regarding a financial gift.