



Is it more taxing to give or to receive?

Changes to gift and estate taxes

Although it didn't receive as much publicity as other parts of the American Taxpayer Relief Act of 2012 (ATRA), estate and gift taxes also got a makeover by our representatives.

Congress permanently increased the maximum estate and gift tax rate to 40% for estates of decedents dying after 2012, with an exclusion of \$5,000,000, adjusted annually for inflation, using 2010 as a base year. In 2013, the exclusion, adjusted for inflation, is \$5,250,000. This exclusion amount can be used to reduce taxes for gifts made during the taxpayer's lifetime, or, if not used up during the taxpayer's lifetime, any remaining unused portion can be used to reduce the taxable estate upon the taxpayer's death. Congress also made permanent the "portability" election between spouses (so that unused exclusion amounts after the death of the first spouse can be used upon the death of the surviving spouse).

Another important change, though not a part of ATRA, is that the annual gift exclusion amount (the amount that you can annually give to an individual without generating a taxable gift) increased from \$13,000 in 2012 to \$14,000 for gifts made in 2013.

These are all federal changes, California does not have an estate or gift tax.



Strategies! Sobul, Primes & Schenkel looks to the future

Now's the time to start planning for 2013 tax liabilities

Though just a few months have passed since April 15th, it's never too early to consider strategies for the new tax year. It's especially important this year because of the many changes as a result of the American Taxpayer Relief Act of 2012, not to mention the tax changes resulting from the 2010 health care reform legislation that kick in this year. Go to the tax update newsflash on our website for more complete information (at www.spscpa.com, click on the "newsletters & newsflashes" link at the top of the page to see the "Summary of the New Tax Law"). Here are a few highlights to get you thinking about 2013 planning:

- Higher tax rates on long term capital gains, ordinary income, and qualified dividends for some high income taxpayers. Also returning for 2013 are limitations on certain deductions for many.
- The new Medicare surtax on investment income tax impacts many in a significant way. This is a new tax for 2013 that is equal to 3.8% of the lesser of either your "net investment income" for the year or your modified adjusted gross income over a threshold amount (\$200,000 single and \$250,000 joint). Since income from "passive" activities is included in "net investment income," it is even more critical to look at identifying and grouping activities appropriately.

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- Municipal bond investments may be more attractive than before since tax-free interest is not subject to the new Medicare tax, taxable investments may become more costly due to increases in both federal and California tax rates, and because of the potential loss of deductions (under the new tax law) for certain high income taxpayers.
- The federal government may not be finished yet. Be aware that additional proposals could impact tax planning this year and beyond. President Obama has suggested further reducing the value of certain itemized deductions, limits on retirement plan contributions, and higher tax rates (the so-called Buffet rule for income over \$1 million).

Check out the web page mentioned above, or even better, speak with someone here at Sobul, Primes & Schenkel to help mix and match your issues with the many new changes.

Low tech mail fraud - alive and kicking!

Beware of "official notices"
 You've long ago learned to trash those overdue notices for magazines you've never subscribed to and to ignore those Canadian lottery notifications. Be aware, however, that sophisticated fraudsters have learned the Achilles' heel of small business owners – notices from the government demanding a relatively small payment.

A father and son team was recently arrested, according to an article in the *Los Angeles Times*, moments before boarding a flight out of the country after collecting over a million dollars from small business owners in California. All they did was send official-looking invoices from a fictitious state agency. The invoices contained identifying details (like California Small Business Administration numbers and other public-records information) that made the letter seem valid. At least 5,000 businesses each sent \$225 to the crooks.

Another scheme, which may not exactly be fraudulent but comes close, involves official-looking

invoices from a company using a name that one might assume to be a state bureau. Their invoices, at first glance, indicate that payment is due immediately to avoid fees and penalties for regulatory non-compliance. However, the very (very) fine print spells out that the invoice is for a service provided by a private firm. It is unknown how many well-meaning companies sent the requested \$275 believing they had missed a payment to the state instead of actually wanting the offered service.

These notices are sophisticated, complete with bar-codes and legal language, and are easily confused with the real thing. The United States Postal Service estimates the dollar amount paid annually to scammers as a result of phony invoices, of all types, is in the billions.

If you receive an unexpected "official notice," take a moment to give us a call first to avoid giving away your hard-earned money.



Two degrees of excellence

Congratulations to two Sobul, Primes & Schenkel graduates

'Tis the season to toss mortarboards in the air and applaud graduates from institutes of higher learning. We are proud to announce that two SPS employees are celebrating receipt of their graduate degrees. Cheers to Riza Marfori (Supervisor) for earning her MST (Master of Science in Taxation) from California State University, Northridge. She started here in November 2004. Good job to Carrie Chiang (one of our Professional Staff Accountants) for receiving her MBT (Master of Business Taxation) from USC. She began her career at SPS in September 2009 and completed her degree while working full time!

Our not-so-secret Portal

Sobul, Primes & Schenkel introduces the secure Client Portal

Have you ever dreamed of being able to instantly access your individual tax return and payment vouchers as well as transferring financial files to us via a secure, web-based application? Who hasn't, right? Then you will be excited to hear about the SPS Client Portal which was launched this year, to positive feedback, for our 2012 individual tax returns.

Not only does the Client Portal eliminate "paper files," it enables you to safely store your tax information on your personal computer and, if needed, transmit the files to others who may request this information. We use the same encryption your bank and credit card companies use so the Client Portal is secure.

We're proud to provide this cutting edge technology that, we believe, matches the online lifestyle of our clients and their businesses. If you would like to receive more information about our Client Portal, please contact Lajuana Latiolais for details.



Prepare for California's worst season



Fire season is here... take steps to protect yourself

Though California is frequently the butt of jokes for having no "real" seasons, Californians are all too aware that the state's worst season (if you don't count tax season) is fire season. This year fires are already in the news because we did not have much of a rainy season. The Fire Safe Council (www.firesafecouncil.org) has detailed tips for preparing for the worst. The three basic steps are to make your home defensible outside by clearing away plants and potential fuel from your home; make your home defensible inside by installing smoke detectors and buying a fire extinguisher; and to prepare for evacuation so everyone knows what to do in an emergency.

Please note that these articles contain general information and are not a complete analysis that you should rely on in making decisions. Our goal is to bring these matters to your attention and suggest that you review your payments and practices. We are here to assist you. These may be difficult issues to address, and you may need to consult with your legal counsel as well.